Published
Monthly by the
NATIONAL
MUNICIPAL
LEAGUE
Vol. XXV, No. 4
TOTAL NO. 238

NATIONAL MUNICIPAL REVIEW

CONTENTS FOR APRIL

EDITOR'S NOTE.—This is the second of two issues of the REVIEW devoted to the problem of social security and edited by Dr. Joseph P. Harris, Director of Research of the Committee on Public Administration of the Social Science Research Council. The March issue discussed general considerations of the federal social security act and social insurance as a means of providing social security. The articles appearing in the March REVIEW will be combined with those in this issue to form a single volume, copies of which may be obtained from the office of the National Municipal League.

SOCIAL SECURITY

EDITORIAL COMMENT.....*Howard P. Jones* 198

Public Welfare Measures Under the Social Security Act

CHILDREN IN THE SOCIAL SECURITY PROGRAM...*Katharine F. Lenroot* 200

OLD-AGE ASSISTANCE.....*Marietta Stevenson* 205

THE EFFECT OF THE SOCIAL SECURITY PROGRAM UPON WELFARE ADMINISTRATION.....*Fred K. Hoehler* 210

FINANCING THE WELFARE PROVISIONS OF THE SOCIAL SECURITY PROGRAM.....*J. Roy Blough* 215

Health and Social Security

HEALTH, SICKNESS, AND SOCIAL SECURITY.....*I. S. Falk* 224

NEWS OF THE MONTH..... 236

RECENT BOOKS REVIEWED.....*Geneva Seybold* 250

The contents of the NATIONAL MUNICIPAL REVIEW are indexed in the *Engineering Index Service*, the *Index to Legal Periodicals*, the *International Index to Periodicals* and in *Public Affairs Information Service.*

COPYRIGHT, APRIL, 1936

Editorial Comment

April

NATIONAL MUNICIPAL REVIEW

Vol. XXV, No. 4 Total No. 238

The Expanding Area of Government

ONCE upon a time a man was born, reared, and lived happily ever after without governmental assistance of any kind. But that was long, long ago, my children—so long ago that it lives not in the written record of mankind. Ever since man has been able to write he has told of rulers and taxes and courts and government—most of the time bitterly, occasionally with gratitude for beneficence.

Today we read that Mussolini has taken over complete control of industry in Italy as a part of the process of girding Fascist loins for war. That means in Italy, as in Russia, all human activity soon will be brought under the aegis of government. In the United States, we are resisting this trend—endeavoring to work out a harmonious pact between individual enterprise and governmental activity which will give us the advantage of the latter without losing the benefits of the former. The social security program with which this issue of the NATIONAL MUNICIPAL REVIEW as well as the March issue is chiefly concerned is one of the principal means by which this relationship is to be cemented. As such it has the deepest significance for those interested in the future of government on all levels—federal, state, and local.

The history of local government in the United States in the past century is, when reduced to simplest terms, a story of expanding functions and increasing importance of government in community life. It is scarcely necessary to illustrate this statement but, if example be desired, the city of Detroit supplies interesting evidence of the truth of the assertion. A study of the Detroit Bureau of Governmental Research reveals that in 1824 the city of Detroit was responsible for 23 functions; in 1930 it was carrying on 306 important activities. In recent years, it has been largely the social and cultural services of government that have been increasing. It is undoubtedly true that if the problem of social security (economic security would be a better term as is pointed out by a writer in last month's REVIEW) could have been dealt with on the local government level, federal and state government would not now be concerned with it. This is merely another way of saying that since our economy is a national or international one, the solution to any of its problems must have similar scope.

So far as we can see, the trend is to increase governmental functions on all levels: federal, state, and local. The problems are so vast and the machinery is becoming so complex and unwieldy,

the researchers of the future have their work cut out for them. There are tremendous problems on the administrative side: how to make this machinery run smoothly and not clog at critical points. A motor is of no use if the carburetor won't function. There are equally serious problems on the control side. This complicated machine has to be directed by amateurs. The man in the driver's seat of any automobile knows where he wants to go but understands little of the mysterious apparatus under the hood. We are committed to democracy in America: we must simplify the controls if we are to expect non-technicians to guide a governmental machine of ever-increasing complexity.

Hand in hand with this must go a widespread program of citizen education. The voter cannot be a technician but the democratic process assumes him to be a competent citizen which in most instances he certainly is not, no matter how generous be our definition of competent citizenship.

A New Municipal Laboratory

UNDER what appears to the outsider to be ideal conditions, the city of Saginaw, Michigan, has launched forth on its career as a council-manager city. The members of the council of nine were all members of the city charter commission that drafted the charter under which the city is to operate. If anybody in town understands the theory of a manager charter, *they* should. Convincing proof that they knew what they were about came when the first city manager was appointed. L. P. Cookingham, a veteran of some eight years experience, was selected. That the new manager has not been handicapped by local politics in his appointments may be judged from the fact that several outsiders were named for important posts, among them the director of finance.

Saginaw thus volunteers itself as another municipal laboratory in which the most modern devices and latest methods of public administration may be installed to render the city government more efficient, to the ultimate confusion of those who think the term "city hall" a synonym for graft and inefficiency.

While efficiency is important, the renaissance of civic spirit, the renewal of faith in democracy and the revitalizing of the community that inevitably accompanies any such change is to the city and to the nation far more important. The city manager plan is much more than a rallying cry around which reformers can unite—but were it that alone, it would justify its existence.

H. P. J.

The reorganization of local units of government in the direction of economical administrative areas is not an abstract theory—it is an immediate requirement. "Horse and buggy" and "ox-cart" traditions have persisted in local government machinery longer than in any of our many institutions. Our local units must be geared to the tempo of the motor age. This means something more than a responsible executive with single authority to administer municipal functions. It means also a rational determination of practical areas for administrative purposes and the elimination of all but one local government in each area. Pending the necessary statutory and constitutional reorganization of these areas, local administrators can do much to accomplish this objective by casting their eyes outside of their own bailiwicks in a search for means of desirable coöperation with the administrators of other bailiwicks. Experiments with coöperative methods of purchasing, selecting personnel, planning, construction of public improvements, and health protection will all pay dividends to the taxpayer and will hasten the demise of the "bureaucratic" bogey-man. *Public Management*, March, 1936.

Children in the Social Security Program

Appropriations made for maternal and child health services, aid to crippled children and child welfare

KATHARINE F. LENROOT

Chief, Children's Bureau, United States Department of Labor

With final adoption by Congress of the supplemental appropriation act for the fiscal year 1936, funds have been made available for the most extensive program of federal participation in services for the health and welfare of mothers and children ever undertaken in the United States.

Under title IV of the act, grants-in-aid to the states, administered through the Social Security Board, are made available for extending and strengthening state provisions for needy dependent children in their own homes who have been deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent. These state systems of aid operate under plans approved by the Social Security Board. The federal government will contribute approximately one-third of the cost, but the federal share in payments in behalf of children is not to exceed $6 per month for one child and $4 for each additional child in the same home.

Three types of federal aid for maternal and child welfare are authorized in title V on an annual basis of $3,800,000 for maternal and child health services, $2,850,000 for services to crippled children, and $1,500,000 for child welfare services. Federal administration of these three forms of aid is placed in the Children's Bureau, under the supervision of the Secretary of Labor.

These portions of the act must be considered in relation to other grants-in-aid authorized therein for health and welfare services, especially those authorized in title I, grants to states for old-age assistance; title X, grants to states for aid to the blind; and title VI, public health work.

The Cabinet Committee on Economic Security and the committees of the house and the senate which gave extended consideration to the social security proposals concurred in recognizing that the heart of any social program is the child, that all parts of the act are in a very real sense measures for the security of children, but that "in addition," in the words of the senate finance committee, "there is great need for special safeguards for many underprivileged children." The cabinet committee had in mind the millions of children under the age of sixteen years in families receiving relief, of whom over 700,000, it was estimated in the fall of 1934, were in families without the presence of the normal breadwinner; the 280,500 children then receiving benefits under the inadequate and uneven provisions for mothers' aid authorized by the laws of forty-six states and the District of Columbia; the physically handicapped children, numbering from three

to five million; and many other classes of children receiving or in need of social protection. The committee's report called attention to the economic loss and the insecurity for children resulting from the high rate of maternal deaths in the United States, and to the inadequacy of prenatal and obstetrical care in both urban and rural districts. It emphasized the drastic reductions in state appropriations for maternal and child hygiene; the need for more adequate infant and child health service, especially in rural areas, where since 1929 infant mortality rates have exceeded the rates for urban areas; and the need for the development and extension of state and local programs for crippled children.

AID TO DEPENDENT CHILDREN

In order to be eligible for aid under title IV, a state must submit plans for assistance to needy children in their own homes who have been deprived of the support or care of a parent through circumstances specified in the act, and these plans must provide for the following: state-wide operation, the plan to be in effect in all political subdivisions and if administered by them to be mandatory upon them; financial participation by the state; administration, or supervision of administration, by a single state agency; granting to any individual whose claim with respect to aid to a dependent child is denied, opportunity for a fair hearing before the state agency; such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Social Security Board to be necessary for the efficient operation of the plan; and such reports by the state agency as may be required by the board.

A chart prepared by the Works Progress Administration comparing state legislation with the requirements of title IV shows that on December 1, 1935, fifteen states had legislation which substantially conforms with the requirements of the federal act. In addition a number of states, under general enabling acts, have authority to coöperate with the Social Security Board and are submitting plans. By February 10 plans submitted by twelve states had been approved by the board, and plans from a number of other states were under consideration.

It is estimated that not more than a fourth of the needy children who might be eligible under the terms of the act are actually receiving assistance under state mothers' aid systems. When title IV becomes fully effective, greatly extended opportunities for conserving family life for children will have become available. The act is of far reaching significance since it provides federal and state coöperation in a basic program of home care for dependent children such as has been advocated earnestly by all three of the national conferences on child welfare.

To administer this form of grants-in-aid, together with old-age assistance and assistance to the blind, the Social Security Board has established a Bureau of Public Assistance, in charge of Jane M. Hoey, a social worker of nation-wide reputation, formerly assistant director of the Welfare Council of New York City. Consultative services made available by this bureau will emphasize the importance of state and local administration through unified public welfare services.

For the last five months of the federal fiscal year ending June 30, 1936, Congress has appropriated $5,000,000 for grants to states under title IV, available both for payments in behalf of children and for administrative costs.

The primary purpose of the child health and child welfare provisions of title V, parts 1, 2, and 3, to be ad-

ministered by the Children's Bureau, is to extend and strengthen services for mothers and children, especially in rural areas, in areas suffering from severe economic distress, and among groups in special need. These are the people who have been hitherto for the most part outside the reach of health and welfare services that have been more generally available in cities. In this connection it is interesting to note that whereas the urban infant mortality rate increased 1 point from 1933 to 1934 (from 57 to 58), the rural rate increased 3 points—from 59 to 62. Certain urban districts, however, still have exceedingly high rates and programs to be developed by the states under the act will reach some of these areas as well as the less populous portions of the country. Relatively little state legislation is required to enable the states to coöperate with the federal government under title V of the act.

MATERNAL AND CHILD HEALTH SERVICES

The amount of $3,800,000, available on an annual basis for maternal and child health services, includes $2,820,000 to be matched equally by funds available within the state, as follows:

Uniform apportionment, $20,000 to each state and to Alaska, Hawaii, and the District of Columbia, $1,020,000;

Apportionment on basis of live births, $1,800,000.

In addition $980,000 is available for allotment by the Secretary of Labor in accordance with the financial need of each state for assistance in carrying out its plan, after the number of live births is taken into consideration.

State funds appropriated or otherwise provided by the state itself must be made available for payment of part of the costs of approved plans. Funds appropriated or made available by political subdivisions (counties, cities or towns) may also be counted provided such local activities are brought into the state plan and under the general supervision of the state department of health. State or local funds used for matching any other federal appropriation cannot be counted in establishing eligibility for federal assistance.

Responsibility for initiating and developing state plans rests with the state agencies of health, with which the Children's Bureau is to coöperate under this portion of the act. They are to be approved by the chief of the Children's Bureau if they conform to certain conditions specified in the act. These conditions include, in addition to provision of public funds as indicated earlier, provision for such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are necessary for the efficient operation of the plan, and such reports as may be required; and provision for extension and improvement of local maternal and child health services, for development of demonstration services in needy areas and among groups in special need, and for coöperation with medical, nursing, and welfare groups and organizations. Forty-two states have submitted official plans for the third and fourth quarters of the federal fiscal year ending June 30, which are being reviewed by the Children's Bureau. The amount appropriated by Congress for the last five months of the fiscal year 1936 for maternal and child health services is $1,580,000.

CRIPPLED CHILDREN

The general principles governing the portions of the act relating to services for crippled children are similar to those governing maternal and child health services. The appropriation of $2,850,000 is to be allotted, $20,000 to each state, and the remainder on the basis of the number of crippled children in need of services and the cost of furnishing

services to them. Grants to the states must be matched in full by state or state and local funds. Conditions which must be met before plans are approved include coöperation with medical, health, nursing and welfare groups and organizations and with any agency in the state charged with administering state laws providing for vocational rehabilitation of physically handicapped children. The funds, which are to be administered through state agencies having responsibility for medical care of crippled children, are to be used for the extension and improvement, especially in rural areas and areas suffering from severe economic distress, of services for locating crippled children and for providing medical, surgical, corrective, and other services and care, and facilities for diagnosis, hospitalization, and aftercare for children who are crippled or who are suffering from conditions that lead to crippling. The funds provided are not available for the education of crippled children.

State administration will be through a state agency having responsibility for medical care for crippled children. If several agencies are responsible, one will have to be designated by responsible state officials. For the last five months of 1936, $1,187,000 has been appropriated by Congress for grants to states for services to crippled children. Estimates of amounts that will be requested by the states for services for crippled children for the remainder of the current fiscal year have been received from thirty-five states, and plans have been officially submitted by eleven states.

CHILD WELFARE

The appropriation of $1,500,000 for child welfare, to be allotted $10,000 to each state and the remainder on the basis of rural population, is to be available for coöperation with state public welfare agencies in establishing, extending, and strengthening, especially in predominantly rural areas, public welfare services for the protection and care of homeless, dependent, and neglected children and children in danger of becoming delinquent. They are to be used for payment of part of the cost of district, county, or other local child welfare services in areas predominantly rural, and for developing state services for the encouragement and assistance of adequate methods of community child welfare organization in areas predominantly rural and other areas of special need. For the remainder of the fiscal year 1936, $625,000 has been appropriated. Estimates of the amounts that will be requested for the remaining months of the current fiscal year have been received from thirty-eight states, and preliminary or official plans have been submitted by twelve states.

ADMINISTRATION

The Secretary of Labor has appointed four advisory committees to assist the Children's Bureau in the development of general policies. The membership of these committees includes representatives of various branches of the medical profession, public health nursing, and social services. They are as follows: General Advisory Committee on Maternal and Child Welfare Services, Advisory Committee on Maternal and Child Health, Advisory Committee on Services to Crippled Children, and the Advisory Committee on Community Child Welfare Services. The committees had their first meetings in Washington December 17 and 18, 1935. Reports on services for maternal and child health, crippled children, and child welfare were prepared by the special committees, and considered and endorsed by the general advisory committee.

To administer the provisions of title V, $110,000 is available to the Children's Bureau for the remainder of the cur-

rent fiscal year, and $320,000 has been recommended by the Bureau of the Budget for the fiscal year 1937. The Children's Bureau has established a division of maternal and child health, headed by Dr. Albert McCown; a crippled children's division, of which Dr. Robert C. Hood is director; and a child welfare division, headed by Mary Irene Atkinson. Members of the field staff have visited most of the states to confer with state officials concerning the provisions of the act and the development of the coöperative services authorized. The general emphasis of the act is on the development and strengthening of local services, the local agencies to receive counsel, financial assistance, and, in some instances, specialized service from the state. In reviewing the needs of a state, the activities of both public and private agencies will be considered, as the federal aid is intended primarily to meet needs not now being served and to assist in the development of comprehensive, well balanced programs for promoting the health and welfare of children. The success of the program will be dependent chiefly upon whether the state and local coöperating agencies can be built up in accordance with sound standards of administration and service. Active cooperation of medical, health, nursing, and welfare groups, as described in the act, is essential, and these groups are being drawn into the development of plans as much as possible.

Administration of the three types of aid for maternal and child health and welfare will be closely integrated, for we have learned that it is impossible to divide a child's life into separate compartments; physical and mental health are mutually interdependent. The care of the crippled child is an excellent example of the need for coördination of medical, nursing, and social services. Locally, much of the work of locating and diagnosing crippled children will be carried on through maternal and child health services, nurses will assist in follow-up after discharge from hospitals, and social workers will assist in determining financial need, developing plans for boarding or institutional convalescent care, when needed, and preparing the family for the child's return. Mental hygiene services should be developed, as opportunity offers, in connection with both the health and the welfare programs. Close coöperation will be maintained with the United States Public Health Service, the Social Security Board, and the Office of Education, which is responsible for administering grants to states for vocational rehabilitation, authorized in title V, part 4.

Old-Age Assistance

The conditions imposed upon the states to receive federal aid for old-age assistance follow the trends in state legislation

MARIETTA STEVENSON *Assistant Director, American Public Welfare Association*

INTEREST in old-age assistance legislation and administration has grown rapidly in recent years. This interest was quickened during the past year by the stimulation of the grant-in-aid provision of the federal social security act. The general public as well as legislators, congressmen, public welfare administrators, and social workers have devoted unusual attention to legislative enactment and administrative developments in this field. In the decade just previous to 1933, eighteen states had enacted old age "pension" laws, eleven were passed during 1933 and 1934, and all records for activity were broken this last year. The statutes show considerable variation, but even greater differences have existed in the administration within this legal framework.

Most of these laws specified that pensions would be available to the needy aged who had reached the required age of sixty-five or seventy, had lived within the state for a long period of years, and had neither relatives legally responsible for their support nor substantial income or property of their own. A maximum benefit of $1 a day was common, although the actual amounts granted were considerably less in most cases. Poor administrative machinery and inadequate financing have been more responsible for the weaknesses of the situation than the defects in the laws.

Of the states operating old-age pension laws in 1934, statistics show that only seven—California, Colorado, Indiana, Massachusetts, New Jersey, New York, and Ohio—had sizeable programs with more than ten thousand pensioners and costing over a million dollars. The average pension granted in these states shows as wide a variation as is found in the whole United States, as shown in the table below.

During the years prior to 1935 (when federal action seemed imminent), certain trends toward more effective laws and administration were discernible. The first old-age assistance laws left the adoption of the system optional with local authorities. This proved unsatisfactory and these early laws were gradually replaced by mandatory legislation. Where the law was left optional, it was usually placed in effect in only a few counties. This fact argued strongly for the necessity of a state-wide mandatory system and hastened the change. Another definite trend was towards increased state financial aid. In 1928 there were six state laws, with only Wisconsin providing for state aid. By the end of 1930, four of the twelve states with old-age assistance laws provided aid from the state. By the end of 1934,

OPERATION UNDER STATE OLD-AGE PENSION ACTS DURING 1934

State	Funds supplied by—	Number of eligible age	Number of pensioners, end of 1934	Amount disbursed	Monthly pension Maximum payable	Monthly pension Average paid 1934
Arizona	State and county	9,118	1,820	$ 427,527	$30.00	$19.57
California	do.	210,379	19,619	4,288,508	30.00	20.21
Colorado	do.	61,787	10,098	1,256,190	30.00	9.74
Delaware	State	16,678	1,583	193,231	25.00	9.91
Idaho	County	22,310	1,712	138,440	25.00	6.74
Indiana	State and county	138,426	23,533	1,134,250	15.00	4.50
Iowa	State	184,239	8,300	220,000	25.00	13.25
Kentucky	County	84,252	———	———	20.83	———
Maine	State and city	69,010	———	———	30.00	———
Maryland	County	92,972	267	65,228	30.00	24.43
Massachusetts	State and city	156,590	21,473	5,628,492	(1)	26.08
Michigan	State	148,853	3,557	103,180	30.00	9.99
Minnesota	County	94,401	4,425	577,635	30.00	10.97
Montana	do.	14,377	2,780	177,426	25.00	5.32
Nebraska	do.	86,194	926	13,577	20.00	1.22
Nevada	do.	4,814	7	1,552	30.00	18.48
New Hampshire	do.	25,714	1,483	311,829	32.50	17.51
New Jersey	State and county	112,594	11,401	1,773,320	30.00	14.87
New York	do.	373,878	51,834	12,650,828	(1)	20.65
North Dakota	State	30,280	3,914	24,259	12.50	.69
Ohio	do.	414,836	36,543	1,434,416	25.00	6.54
Oregon	County	39,133	6,525	639,296	30.00	8.16
Pennsylvania	State	289,705	18,261	386,717	30.00	21.18
Utah	County	22,665	902	86,416	25.00	7.98
Washington	do.	101,503	1,588	103,408	30.00	5.43
West Virginia	do.	73,043	———	———	30.00	———
Wisconsin	State and county	112,112	2,127	459,146	30.00	19.95
Wyoming	County	8,707	719	82,732	30.00	9.59
Total		2,998,570	235,397	32,177,603	———	14.68
Alaska	Territory	2,935	454	108,485	35.00	25.00
Hawaii	County	7,638	354	27,427	15.00	7.06
Grand total		3,009,143	236,205	32,313,515	———	14.69

[1] No limit.

Source: U. S. Bureau of Labor Statistics and Committee on Economic Security. Monthly Labor Review (August, 1935).

half of the twenty-eight states with laws provided for state payments, several assuming entire state responsibility for financing. The more effective laws have provided for state-wide local administration, with considerable state supervision and state participation in financing. The federal act now gives recognition to these trends in the requirements for approval of state plans.

In 1934 the President, by executive order, created the Committee on Economic Security to make recommendations for social security legislation, including measures designed to safeguard people against the hazards of

old age. In its report to the President of January 1935 the committee stated, "With a rapidly increasing number and percentage of the aged, and the impairment and loss of savings, this country faces, in the next decades, an even greater old-age security problem than that with which it is already confronted." To meet this problem, the committee suggested three complementary measures: (1) non-contributory old-age pensions or assistance, (2) compulsory contributory annuities, and (3) voluntary contributory annuities.[1] This discussion is limited to old-age assistance.

The report showed that there were 6,500,000 people over sixty-five years in the United States, or 5.4 per cent of the total population, in 1930. On the basis of the present population and trends it was predicted that within twenty-five to thirty years the actual number of old people will have doubled. In 1934 there were approximately one million old people in receipt of some form of public relief, although only 180,000 of these were receiving pensions under state old-age assistance laws. The depression will undoubtedly increase the proportion of old people requiring public assistance as so many people have lost their savings as well as their jobs. The increasing difficulty encountered by old or even middle-aged people in securing employment also contributes to the expected increase in dependency among the aged.

After months of hearings in both house and senate committees, and other months of discussion on the floor and in conference, the social security act finally became law with the President's signature on August 14, 1935. Unfortunately, a senate filibuster prevented passage of the third deficiency bill (H.R. 9215) appropriating money for the purposes of the act, delaying actual payments to the states until the present session of congress appropriated funds for this purpose.

[1]The provision for the sale of voluntary annuities was stricken by Congress.

REQUIREMENTS OF SOCIAL SECURITY ACT

The definite requirements of the federal social security act, as set forth in title I, have been largely responsible for state activity during 1935, as states must conform in order to be eligible for reimbursement from federal funds. These requirements are generally in line with the trend already noticed in state legislation. The federal act requires that a state must submit a plan for old-age assistance to the Social Security Board for their approval. Such a state plan must:

1. Provide that it shall be in effect in all political subdivisions of the state, and if administered by them, be mandatory upon them;

2. Provide for financial participation by the state;

3. Either provide for the establishment or designation of a single state agency to administer the plan, or provide for the establishment or designation of a single state agency to supervise the administration of the plan;

4. Provide for granting to any individual, whose claim for old-age assistance is denied, an opportunity for a fair hearing before such state agency;

5. Provide such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the board to be necessary for the efficient operation of the plan;

6. Provide that the state agency will make such reports in such form and containing such information as the board may from time to time require, and comply with such provisions as the board may from time to time find necessary to assure the correctness and verification of such reports; and

7. Provide that, if the state or any of its political subdivisions collects from the estate of any recipient of old-age assis-

tance any amount with respect to old-age assistance furnished him under the plan, one-half of the net amount so collected shall be promptly paid to the United States.

The act further provides that the board shall approve any plan which fulfills the conditions specified except that it shall not approve any plan which imposes, as a condition of eligibility for old-age assistance under the plan:

1. An age requirement of more than sixty-five years, except that the plan may impose, effective until January 1, 1940, an age requirement of as much as seventy years; or
2. Any residence requirement which excludes any resident of the state who has resided therein five years during the nine years immediately preceding the application for old-age assistance and has resided therein continuously for one year immediately preceding the application; or
3. Any citizenship requirement which excludes any citizen of the United States.

When the state old-age assistance plan is approved, the social security act provides that the federal government will pay one-half of the cost up to $30 a month for any individual. If the state pays more, the federal government will still pay only $15.

As set up, the Social Security Board of three members, and its executive director responsible for administration, work through the various bureaus established by them. Grants to the states for the care of needy aged persons will be administered by the Public Assistance Bureau, which will also administer federal grants to states for assistance to the needy blind and aid to dependent children. Miss Jane M. Hoey has been appointed director, assuming her new position during January.

DISCUSSIONS ON STATE PLANS

During December the Social Security Board and the United States Children's Bureau invited state directors of public welfare from the various states to come to Washington to discuss the coöperative planning necessary to put the public assistance provisions of the social security act into effect, and the information the federal government would need to decide upon the acceptability of state plans submitted. In this meeting it was very apparent that state authorities were relieved to find themselves consulted in regard to the information to be submitted in making application for federal funds and for later reports.

In the hearings before the house committee on January 8, John G. Winant, chairman, Arthur J. Altmeyer, member of the Board, Frank Bane, executive director, and other staff members gave interesting testimony about the state plans submitted, those accepted, and also information about states which had not yet submitted plans in the various fields of public assistance with estimates of the federal funds required for reimbursement for the six-month period from January 1, 1936, to June 30, 1936. Amendments were suggested to show clearly the exact period in which a grant-in-aid can be made to the states.

Mr. Bane testified, "Under our interpretation of the act, I might say there are two rights, so to speak, that are reserved to the states: First, the state administrative organization determines the people that may receive old-age pensions, and second, the state administrative organization determines the amount of assistance received by each individual person. Therefore, the gross expenditure in the country for this old-age assistance will largely be determined by the states themselves."

His testimony also showed that thirteen state plans for old-age assistance had been accepted before January 1, 1936, that these states had a logical right to expect reimbursement for these expenditures beginning from that date, and that the federal government has a moral obligation to match these state

expenditures within the terms of the law.

By February 14 the Social Security Board had approved state plans for old-age assistance in eighteen states as follows: Alabama, Connecticut, Delaware, District of Columbia, Idaho, Iowa, Maine, Maryland, Michigan, Mississippi, Missouri, Nebraska, New Hampshire, Rhode Island, Vermont, Washington, Wisconsin, and Wyoming. Some of the other plans submitted will be accepted in the near future and others will be modified by the states to make them acceptable. So far as possible the Social Security Board is accepting plans as a basis for coöperation, working toward later improvement in administration as plans get under way.

During 1935 twelve states enacted new old-age assistance laws, two of these replacing old laws previously declared unconstitutional, and sixteen other states amended earlier statutes to fit the requirements of the federal act. According to the Social Security Board,[2] forty-one states, two territories, and the District of Columbia now have legislation or general enabling acts under which state plans may be submitted.

The revised deficiency bill, (H.R. 10464) carrying an appropriation for grants to states for old-age assistance plans for the rest of the fiscal year (ending June 30, 1936), went into effect with the President's signature on February 11. Within forty-eight hours United States Treasury checks representing the first social security grants for old-age assistance were in the mails. These were as follows:

To Iowa	$548,100.00
To Alabama	105,000.00
To Delaware	33,075.00

Checks were mailed to thirteen other states the following day. The stage is now set for real experimentation with federal grants-in-aid to further administration of old-age assistance, with the three levels of government working on a coöperative basis.

[2] January 24, 1936. All but Georgia, Louisiana, North Carolina, South Carolina, South Dakota, Tennessee, and Virginia. (Kansas and New Mexico do not have laws, but may operate under enabling acts.)

YOU AND YOUR GOVERNMENT

The current YOU AND YOUR GOVERNMENT radio programs, devoted to "The Constitution in the 20th Century," are broadcast over an NBC—WEAF network every Tuesday from 7.45 to 8.00 P. M., eastern standard time (beginning April 28 eastern daylight saving time). Following are the speakers and their subjects for coming weeks:

April 14—"Getting a New Constitution." W. Y. Elliott, Professor of Government, Harvard University.

April 21—"The Constitution and the States." Albert C. Ritchie, Former Governor of Maryland. (Presented by David C. Winebrenner, 3rd, Secretary of State under Governor Ritchie.)

April 28—"A Unified Economy and States Rights." James Hart, Professor of Political Science, Johns Hopkins University.

May 5—"Regional Governments for Regional Problems." William B. Munro, Professor of History and Government, California Institute of Technology; Former President, American Political Science Association.

May 12—"The Constitution and Social Security." John G. Winant, Chairman, Social Security Board; Former Governor of New Hampshire.

May 19—"The Rights Reserved to the States and the People." William L. Ransom, President American Bar Association.

The May issue of *The Annals* of the American Academy of Political and Social Science will contain a series of articles in which the authors will treat more fully the topics they discuss in these radio programs. Pre-prints of each complete article are available immediately following its corresponding broadcast for fifteen cents each or two dollars for the series including a reading list. The reading list may be purchased separately for fifteen cents. Send all orders and inquiries to the American Academy of Political and Social Science, 3457 Walnut Street, Philadelphia, Pa.

The Effect of the Social Security Program Upon Welfare Administration

Permanent, unified welfare departments, manned by capable personnel and freed from political domination, are called for under the social security program

FRED K. HOEHLER *Director, American Public Welfare Association*

A new phrase, social security, has been added to the terminology of welfare administrators in every political unit in the United States. To many it is just a phrase with little realization of what it may mean to them as administrators or to the communities that they serve.

Because of the unemployment emergency, the last five years have seen necessarily a growth in public welfare service out of all proportion to any similar period in our national history. Emergency acts have created state and local bodies for the administration of fabulous sums of money in the care of hosts of citizens. Some of these bodies were literally created over night, and many of the administrative policies and procedures were superimposed from above. The result on the whole has been a surprisingly well run but extremely temporary relief set-up.

The federal social security act is a recognition that the emergency is passing and we are destined to have, as a permanent function of government, the administration of large public welfare services.

The assistance phases of the social security act are not new as a function of government. State and local governments have been in the business of giving aid to the aged, blind, dependent children, and to mothers and children requiring maternal and health care. The federal government, furthermore, has had experience in grants-in-aid to states. Highway departments, educational institutions, and school systems have qualified by their services and personnel to participate in the use of federal funds for a variety of purposes. This principle is well established and has given motorists the continuous comfort of a well built highway within a state and across state lines. Future citizens have been assured of more adequate training, and mothers in need of maternal aid and education have been, as citizens of a state, aided by a federal government.

The assistance features of this act extend federal aid to many existing local welfare services at a time when local resources are incapable of meeting a mounting load of necessary public aid. One is compelled to appraise the emergency welfare organization and the regular state and local departments of welfare in the light of the new permanent functions of government in this field. Public welfare administration as a coördinated function of state governments has been notoriously neglected. Budgets have indicated that mounting costs of welfare and relief have been going on consistently, but only here and there is there seen an indication of intelligent policy-making

and consistently sound administration. This neglect is due partly to the general feeling that the care of those in need can be carried on much as the lodge or church has done in the past. The increasing use of tax funds and the general growth of public responsibility in this field places on the state a new obligation far beyond the days of social service in the lodge, church, and private agency.

New things are happening in this field of welfare which should be of vital concern to public officials charged with welfare administration. What course does experience point out? How can we secure the best results in serving those who need security? These are some of the questions honest administrators are asking.

NEW LEGISLATION NEEDED

Most of our states must pass legislation to qualify under this act and the rules of the security board. In old-age assistance, the federal act is fairly specific on what the state plan must provide. Each state must provide that old-age assistance shall be in effect in all political subdivisions. It is mandatory that either the state or the local subdivisions designated by the state shall administer this assistance. Machinery must be set up for hearing the claims of those who are denied assistance.

The Social Security Board may also require efficient and effective methods of administration, and there must be reports submitted to the board regularly if a state receives aid from the federal government. Similar requirements are made for aids to dependent children, maternal and child care, blind relief, crippled children, and public health.

The act does not provide the control over personnel which other recent federal acts have required. This fact places heavier responsibility on the state and local officials for establishing a good personnel policy in order to protect the administration of funds allotted or appropriated to them. There is serious possibility that some states and local governments may wreck or despoil the entire system through careless and inadequate administration or poor personnel provisions.

THE FIRST STEP

The first and obvious step is to relate all social security functions to the regular welfare departments of government. Where such departments do not exist, they should be created to include all welfare activities of the state government. No state or local group dare hazard the chance of relating this activity to an emergency set-up. It requires continuity of service and personnel such as can never exist in an emergency administration.

So far as possible, all the functions of state government in the welfare field which deal with the federal government should be centered in one department or under one administrative head.

These activities in the field of public welfare and social insurance will constitute one of the largest and most important tasks in the field of government. The number of persons involved and the amount of money to be handled will make the detailed administration most important.

SOUND ADMINISTRATION

Good administration requires trained and efficient personnel. More emphasis should be placed on the personnel standards and administrative procedure than has been the custom in too many welfare departments. What is needed is some assurance that there will be a continuing policy in the conduct of a public department. This is one place where good civil service or a merit

system should be invoked before persons are appointed.

In spite of all that has been said by its opponents about social security administration in Europe, it has not only withstood the depression but has actually come through it with improved administration. The secret of this record in Europe is that the countries like England, France, and Germany have been able to assume a nonpartisan and efficient administration from the beginning through carefully selected personnel. This, unfortunately, is not true in this country. Thirty-eight of our states are still operating under the spoils system where politics play a devastating part with frequent changes in personnel and generally low standards of administration.

The importance of avoiding politics in this human side of government is obvious even to the layman, but our experience in the immediate past indicates all too well the greed of some politicians for jobs and for a hand on the purse-strings. With the constant danger of sabotage by political groups, every effort must be made to safeguard good standards of administration, not only by public opinion but by legislative provision as well.

As suggested earlier in this article, a state might well provide for the administration of all these assistance functions through one department of government. While this department must necessarily be a regular part of the governmental structure, to assure the continuance of policy and good procedure and the establishment of sound personnel standards, it can and should be safeguarded by a legislative provision for a board with overlapping terms.

The Sherrill Committee Survey for Ohio discusses the subject of an administrative board and concludes with recommendation favoring a board with advisory powers. The report of this committee states:

"To overcome possible political exploitation of the office of director or commissioner of welfare, many well informed persons contend that a board rather than the governor should be given the power of appointment. This has been highly effective in some states as a bulwark against politics.

"This method of appointment, however, has its disadvantages. Experience has shown that it is quite possible to get a poorly qualified board. In such case a governor, however desirous of improving the situation, is handicapped in replacing an incompetent department head.

"The board plan, furthermore, while it may succeed in keeping in office a department head well qualified for his duties, may at the same time handicap the department from the standpoint of securing the active interest of the governor and in securing for the department a fair consideration of budget requirements."

Governor Lehman's Commission on State and Local Relief Policy has recently announced an almost identical position with regard to the board. These arguments indicate the advantage of a board with advisory or preferably limited administrative powers with the department head appointed by the governor. Whether this board should have all the administrative responsibility or not is a debatable question among public officials, but it certainly should be charged with the responsibility of establishing policy and set adequate standards for personnel.

Referring to the director, the Sherrill committee in Ohio has the following to say:

"The director should be a person of wide and successful experience as an executive in the field of public welfare.

He should be a student of social problems and have a good general understanding of the nature, significance, and control of the large social problems which constitute the responsibility of the department. A number of different professions are engaged in carrying out various phases of the work of the department and the director (and also the assistant director) should understand how to utilize and focus the services of these various professional groups in order to deal most effectively with the social problems involved.

"The committee is fully in accord with the viewpoint that the head of the department should be appointed and have tenure of office on a merit rather than on a political basis. This survey has revealed in no uncertain terms that political appointments in the welfare department have sacrificed the interests of thousands of helpless wards of the state."

COMPETENT PERSONNEL

To assure effective administration, the states must have competent personnel qualified in each of the specialized fields. Staff members must be equipped with education and experience to give constructive supervision to local departments. Too frequently of late we have witnessed governors and local politicians resort to the political trick of scoffing at college graduates and experienced workers for this job. While these same people demand a trained and specialized physician for treating their physical ills, trained engineers to build their homes, and even go so far as to require schooled and experienced tree surgeons to trim trees and patch them with cement, they are content to give responsibility for treating social ills and distributing huge sums of money to relieve distress to their henchmen who have not the slightest knowledge of the job to be done or the people to be aided. If money is to be used to the right end and human need best served, this task is for men and women who have not only great human sympathy and understanding, but an intelligence which is the product of proper training and experience.

The state administration must be in a position not only to establish and carry out through civil service or a merit system its own personnel standards, but should prescribe qualifications for local personnel in the field of public assistance.

RECORDS

Good records, too, constitute an important phase of efficient administration. No effort should be spared to have this job of recording and reporting done promptly and well. The federal Social Security Board cannot make reimbursements unless local and state records of expenditures are in good shape. Economy of operation and the elimination of possible waste depend on the system of records kept at each stage of this coöperative service of federal, state, and local governments.

The American Public Welfare Association has prepared sample and suggestive forms for records and other material useful to state and local administrators. Each record must be simple and complete. Here particularly an administrator should seek the aid of the best person available and use the finest experience in this field. Many a fine experiment has been wrecked because of unnecessarily complicated forms and procedures or by unintelligent administration of procedure, just as others have been wrecked by carelessness or neglect of necessary forms and procedures.

LOCAL ADMINISTRATION

The great emphasis among public officials is for local administration of these funds under state supervision rather than direct administration by the states.

This will carry with it the distinct advantage of local interest in the task and better local understanding and support. Such a plan need not relax state control or supervision and may even provide for such powers as are recommended by Governor Lehman's commission in New York:

"The powers of the state department and state board . . . should include the power to make rules and regulations for the administration of home relief; the power to pay part of the salary for qualified local welfare personnel and the power to withhold state funds unless rules and regulations of the state board are complied with."

With regard to the unit for local administration, both the Sherrill report in Ohio and the governor's commission in New York recommend the county as the logical local unit. In states where counties do not exist, for administrative purposes the city or the town must necessarily be the unit, however unsatisfactory this may be.

The New York study decries the political machinations which are present throughout the year when the relief official is seeking his reëlection. All local welfare functions should be centered in a county or district department of welfare. The department should consist of an appointive board with either advisory or administrative powers.

While many of the arguments on behalf of a state board with advisory or limited administrative powers might be advanced in connection with the local board, it seems to the writer that a local board close to the task could well have complete administrative authority including the appointment of a director. Whatever its authority, the members of this county board should be appointed with overlapping terms in order to give continuity of policy.

CONCLUSION

The adequate administration of this act is dependent on coöperation from the federal government down through the state to the local community. This must be sound and in the interest of good public service. Without sound administration, more money may be wasted in this great enterprise than all the political grafters ever appropriated to their own use in our entire history as a government.

Unless, too, we succeed in securing intelligent, trained, and honest personnel and good administration, we have reached a peak in social legislation only to move into a more lasting depression in which disillusionment and despair will crush the morale of our people.

President Roosevelt Appoints Survey Committee.—A special committee of three to make a survey of federal administrative agencies was appointed by President Roosevelt on March 22. The members of the committee are Louis Brownlow, director of the Public Administration Clearing House; Charles E. Merriam, professor of political science, University of Chicago; and Luther Gulick, director of the Institute of Public Administration, New York City. The ability of those appointees is well known to members of the National Municipal League. It is expected that the survey will be directed chiefly towards a determination of which of the many new governmental agencies created by the administration to deal with the depression and other problems can be dispensed with, reduced, or incorporated in the permanent governmental structure. A report is desired by the end of the year or earlier. Mr. Brownlow and Dr. Gulick are also advisors to the Senate committee initiated by Senator Byrd of Virginia for a somewhat similar purpose.

Financing the Welfare Provisions of the Social Security Program

The social security program recognizes the need for federal aid for welfare activities with state and local administration

J. ROY BLOUGH

University of Cincinnati

THE social security act establishes a variety of financial devices and methods. This paper is limited by its subject to the methods of financing the welfare provisions of the act. Under these provisions are included federal grants-in-aid to states for the purpose of financing old-age assistance, aid to the blind, aid to dependent children, promotion of maternal and child health, care of crippled children, child welfare, and public health. For details of the various grants, see the accompanying table.

These provisions are highly significant, not because they mark the inauguration of new forms of social care or new systems of dealing with indigence, for they are not innovations in this sense; or because grants-in-aid are new and untried, for they have been used frequently in this country and abroad; but rather because they mark the inauguration of federal assistance for social welfare work on a permanent basis. While it is too early to say that such federal assistance will indeed be permanent, the act lays the foundation for permanence by authorizing annual appropriations so that repassage of the act by succeeding congresses will not be necessary to provide authority to make appropriations.

Financial provisions for different kinds of welfare work, while differing in certain important respects to be discussed later, have in common this new policy of permanent federal assistance. There has been and still is much controversy over this policy. In view of these differences of opinion, the policy deserves careful analysis and criticism in order that the country may not have saddled on it an accumulation of innocent vested interests that will later make needed changes politically difficult and ethically unsupportable.

Indigency has two general sources, inability to do productive work and inability to find productive work to do. Inability to do productive work arises from youth, from old age, or from illness or other physical or mental handicap. The largest welfare appropriation under the act goes to relief of indigency caused by old age; the next largest goes to the relief of indigency and to collateral problems in the case of children; most of the remainder is for public health services, which help to prevent illness or to restore health and thus to prevent indigency through incapacity; and another aid is to assist a particular class of physically handicapped, the blind. The unemployed and the ill or handicapped in general are omitted entirely, unless they also fall under one of the above-mentioned groups.

WHAT UNIT OF GOVERNMENT SHOULD PAY THE BILL?

Two points of view must be ruled out at the start. One of these is that

the choice of the governmental unit or units (federal, state, and local) employed to finance relief is purely a matter of expediency, the only real consideration being one of "getting the money." Only a very thoughtless enthusiast for public welfare services would hold this view, failing to see that it makes a great deal of difference what unit or units of government finance these services.

The second, and equally naive, point of view is that under the "American system" social welfare is reserved to the states and localities and that the federal government is thereby morally if not legally estopped from taking any part in such a program.

The basic question is, to what extent, if at all, should the federal government promote, administer, control, and finance public welfare services. Although this paper is concerned with the financial aspects it cannot entirely avoid the other.

The question of federal financing of public welfare services is only an aspect of the larger problem of financial and governmental centralization. This problem has two aspects, one involving the question of who should bear the burden of financing governmental functions, the other involving the problem as to who should perform or control the performance of governmental functions. These two aspects of financial burden and control run through all kinds of intergovernmental fiscal relations, and public welfare services present no exception. If the services are financed locally, each locality must bear the burden of its own welfare services, whether this burden is a tremendously heavy one or an insignificantly light one. If states finance welfare services, the burden is equalized among all of the localities of the state. Localities having small needs for such services must pay as high tax rates for them as localities with large needs. Part of the burden is thus shifted from some localities to other localities. Different states, however, will have different tax burdens for welfare services, some heavy and some light. If the federal government finances these services, burdens are equalized throughout the country as a whole since taxes are uniformly imposed in all areas for carrying on the services in those areas where they are needed. The distribution of the burden of public welfare services will thus vary widely depending on whether local, state, or federal governments finance it.

The unit of government financing public welfare services will also have a bearing on the control of their administration. If localities finance the services state control will be resisted, probably with a good deal of success. If states finance the services control will be imposed on the local units of government while efforts of the federal government to control or coördinate administration will be resisted. If the federal government finances welfare services it will endeavor to control administration in very large degree, if indeed, the administration is not taken over entirely by the federal government. If there is a joint effort to finance welfare services there is more likely to be a coördinated program among localities and states without a completely centralized control since no one unit can claim a monopoly of interest. On the other hand responsibility will likely be harder to place.

ANALYSIS OF THE PROBLEM

The analysis of the policy of federal assistance may well begin with a statement of principles that will be commonly accepted as presenting desirable aims for governmental policy to achieve. These principles will be discussed under six heads: (1) Responsibility for

the need of welfare services, (2) benefits derived from welfare services, (3) sources of tax revenue for financing welfare services, (4) economic effects of financing welfare services, (5) efficiency and economy of expenditure, and (6) centralization of governmental control.

RESPONSIBILITY

The chief difference between federal, state, and local governments lies in the area and the number of people within their jurisdiction. It appears reasonable that the area responsible for the necessity of performing a governmental function should bear the financial burden of performing that function. The need for welfare expenditures grows out of personal weaknesses that would persist regardless of the social and economic order, and out of the effects of the institutions of the social and economic order. Many welfare problems can be traced directly to the rise of industrialism. This is especially true of unemployment and welfare needs arising from it. Unemployment is one of the penalties accompanying free enterprise, specialization, and exchange. The whole market area is responsible for unemployment through variations in the volume of purchases; accordingly, the whole market area may properly be held responsible for financing the relief and other welfare activities necessitated by unemployment. It is true, however, that some causes of unemployment are local or state-wide in their character. Inadequate labor laws, repressive farm tenant laws, bad banking laws, poorly coördinated employment exchanges, speculative industrialists, shortsighted unions may all be causes of unemployment. The responsibility is thus divided between national or regional and local factors.

The responsibility of the country as a whole is also great in the case of the aged. Old-age problems are intensified by industrialization through unemployment, effects on the family, and otherwise. Furthermore, population is mobile; workers frequently spend their productive years in one or more states or sections and their old age in another state or section. There is good reason for maintaining that the area receiving the chief benefit from one's productive efforts should be at least as responsible if not more so for caring for his indigent old age as the area in which the old age is spent.

The case of dependent children involves somewhat similar reasoning. Children reared in one area often spend their productive years in another. It appears only reasonable that the areas receiving the benefit of the productive part of their lives should be at least as responsible for their rearing as the area in which they spend their poverty-stricken childhood.

A second principle concerns benefit. The area benefiting from the performance of a governmental function should assist in financing that function. It should be obvious that the area within which those aided live and move is a benefiting area, but benefit extends much beyond this. Every person with a spark of altruism is more comfortable when the hungry are fed and the naked are clothed. The benefit is also a more selfish one. Disease and social unrest are infectious; they may become epidemic or even pandemic. Failure to supply welfare services may result in the spread of one or both far from their origins. The various communities and sections of the country are so intertwined that injury from disease and social unrest and the benefit resulting from their prevention are diffused throughout the entire country. The local benefit is no doubt strongest and the benefit farther away less than nearby; nevertheless there is a large degree

of general benefit and consequently a strong general interest in having the indigent adequately and humanely cared for.

TAXES

A third principle relates to the types of taxes to be employed in financing public welfare services. They must be capable of supplying the needed revenue, and they should be just, economically sound, and readily administered. There are three principal ways of imposing taxes, namely, on the value of property, on the gross value of production or sales, and on net income. Each of these general methods has its merits and its defects. The taxes on real estate and other forms of property have long been the backbone of local finances, due to the fact that they are practically the only forms of tax aside from local license taxes that local governments can impose and administer successfully. The collapse of rural property values in the twenties and of urban property values in the thirties, and the enormous accumulations of delinquent taxes are evidence that taxes levied on property cannot, speaking generally, be expected to finance increased governmental services, if indeed they can finance the pre-depression costs of government. The taxes on sales are highly productive but are commonly condemned by students of taxation as regressive, and as having harmful economic effects on industry and trade. It is a little ironic to think of sales taxes as a source of funds for welfare services since the poor are heavily burdened by such taxes. Income taxes, although fluctuating in yield between years of prosperity and depression, are highly regarded as being the only taxes applying to individuals according to their total ability, and as having the least harmful effects on industry and business of any type of tax. A desirable expansion in the use of income taxes must come about not so much by extremely high rates in the higher brackets (the justification for such rates must be along other than revenue lines) as by higher rates and lower exemptions and further development of the tax in the lower and middle income brackets.

Substantial increases in the use of income taxes can be accomplished only through federal action. The history of income taxes shows that localities cannot successfully impose and administer them and that the dangers—actual and imagined—of the interstate migration of mobile capital and population and the difficulties of administration set real although not well defined upper limits to state income tax rates.

ECONOMIC EFFECTS

A fourth principle relates to the economic effects of financing welfare services. There are elements of conflict, not as important as is often maintained and perhaps non-existent over a long period of time but nevertheless real for any given short period between the social welfare program of a given state and the prosperity and expansion of its industries. A far reaching public welfare program, however much desired, may be delayed or destroyed by the fear that the necessary tax burden will in whatever form it is imposed, discourage capital and migratory industry in the state. For the nation as a whole there is no such conflict, or if there is it is much less serious. Accordingly, a fairly uniform, nation-wide program of public welfare services is less likely to have harmful industrial repercussions than are individual state programs.

ADMINISTRATION

A fifth principle relates to the efficiency and economy of the expenditure of public funds. Financial policy

FEDERAL AID FOR FINANCING PUBLIC WELFARE SERVICES
UNDER THE SOCIAL SECURITY ACT OF 1935

Sections of Act	*Purpose of Aid*	*Amount Authorized for Appropriation*	*Basis of Allotment*	*Per cent of Required State Matching to Total Payment*	*Method of Allotment*
1-6	Old-age assistance	*1935-36* $49,750,000 *Thereafter* Sum sufficient	*a.* Payments by State in old-age assistance, not including amounts over $30 per month. *b.* 5% for administration.	*a.* 50 per cent *b.* None required	Quarterly by Social Security Board to states having acceptable plans.
1001-1006	Aid to the blind	*1935-36* $3,000,000 *Thereafter* Sum sufficient	*a.* Payments by state in aid to blind, not including amounts over $30 per month. *b.* 5% for administration.	*a.* 50 per cent *b.* None required	Quarterly by Social Security Board to states having acceptable plans.
401-406	Aid to dependent children	*1935-36* $24,750,000 *Thereafter* Sum sufficient	Amounts expended not including amounts over $18 per month for one child and $12 for each additional child.	66 2/3 per cent	Quarterly by Social Security Board to states having acceptable plans.
501-505	Maternal and child health*	*Annual:* $3,800,000	*a.* $20,000 to each state. *b.* $1,800,000 in proportion to live births. *c.* $980,000 on basis of financial need of assistance.	*a.* and *b.* 50 per cent *c.* None required	Quarterly by Children's Bureau to states having acceptable plans.
511-515	Crippled children*	*Annual:* $2,850,000	*a.* $20,000 to each state. *b.* Remainder on basis of need considering number of crippled children and cost of care.	50 per cent	Quarterly by Children's Bureau to states having acceptable plans.
521	Child welfare**	*Annual:* $1,500,000	*a.* $10,000 to each state. *b.* Remainder in proportion to rural population.	None required	Annually by Children's Bureau to states having acceptable plans.
601-603	Public health	*Annual:* $8,000,000	Population, special health problems, and financial needs.	None required	Annually by Public Health Service.

*"Especially in rural areas and in areas suffering from severe economic distress."
**"Especially in predominantly rural areas."

should be designed to encourage the achievement of the largest results from any expenditure of funds. An established principle of administration in the past has been that the governmental unit spending the funds should be responsible for raising them. This responsibility sobers judgment and promotes care in expenditure. Its effects are reflected in several ways. One of these is in the decision to spend money. When an individual spends his own funds he presumably balances with a fair degree of accuracy the cost and the benefits. Locally raised and spent money is likewise closely scrutinized—a generalization believed to be substantially true despite numerous specific examples to the contrary. It is a commonplace observation that the farther the source of funds is removed from the body spending them the greater danger there is of extravagance in expenditure. Localities demand funds from the state and the federal governments for purposes and on a scale that they would never be willing to finance from local taxation. The reasons for this condition are simple: the benefits to the locality are very clear; if this locality does not secure them, it is argued, some other one will; and the onus of levying taxes is on some one else. For the same reasons the sobering influence of placing the responsibility of raising funds on the unit of government spending them is reflected in the care and efficiency with which they are spent.

If no factor other than that of efficiency and economy was involved there would be little justification for the payment of funds by the federal government to state and local governments. However it is yearly becoming less possible to follow the principle that the spending unit should raise its own revenues. The functions best performed by certain governmental units, for example cities, have increased much more rapidly than have the revenues that can be administered successfully by these units. Payments by central to local units of government are necessarily increasing and will likely continue to increase in spite of the serious problem of careless and extravagant expenditure that is thereby raised.

CENTRALIZATION

The sixth and final principle to be considered here involves the problem of governmental centralization. The policy adopted for financing public welfare services should not produce an undesirable degree of centralization in government. It appears inevitable that centralization will increase in this country. Several of the previously discussed principles point towards centralization in financing public welfare services. However, centralization is not to be embraced for its own sake but to be resisted. It is something to which governmental policy is being forced because of the changes that have taken place in social and economic conditions and in governmental functions. Bureaucracy, disregard of local interests and local differences, and possible dictatorship are some of its possible dangers. These dangers may constitute a high price for the equitable and other advantages of central financing. To the greatest extent possible, *coördination,* that is, harmonizing and dovetailing local programs, should be preferred to *centralization,* and a less degree of centralization should be preferred to a greater degree.

It will be observed that these six principles lead to three conclusions that are not mutually consistent. The first conclusion is that since there is nation-wide responsibility for the need for public welfare services and nation-wide benefit from them, since, also the most desirable sources of revenue can be effectively administered on a large scale only by the federal government, and

since to prevent tendencies to undesirable shifting of capital and industry public welfare services should be more or less uniform in all states, the federal government should participate in financing public welfare services. The second conclusion is that to avoid undesirable centralization and bureaucracy the federal government should not administer public welfare services. The third conclusion is that because of undesirable effects on efficiency and economy the federal government should not make payments to states. These conclusions obviously cannot be fitted into any one pattern of fiscal policy without evaluation and compromise to find a reasonable solution.

FINANCIAL PROVISIONS OF THE SOCIAL SECURITY ACT

Do the methods for financing the welfare provisions of the social security act constitute a reasonable course of action in view of these conflicting principles? Different answers will be given to this question depending on the relative importance attributed to each of the principles. It is the writer's opinion that in general they do. There are a number of reasons for this opinion.

First, the act does not provide a federally administered system of public welfare services. State and local administration of welfare activities is much to be preferred to federal administration. Maximum size and financial power do not insure that the central governmental unit will be the most efficient unit of administration. The number of necessary administrative steps between workers in direct contact with those receiving assistance and a central head at Washington is so great that the inevitable result of federal administration must be a topheavy and inefficient bureaucracy. Much better are smaller, independent but coördinated units. The plans provided in the social security act permit this.

Second, the act provides for both federal and state or local financial participation. Federal participation is desirable in view of considerations of responsibility, benefit, revenue policies, and economic effects. State or local—preferably both—participation is desirable in view of considerations of responsibility, benefit, and the stimulation of efficiency and economy.

Third, the granting of funds subject to the federal approval of state plans tends to promote efficiency and economy and to avoid bureaucracy. The required contents of the state plans as described in the act are such that principal types of discrimination and maladministration should be avoided. At the same time the discretion of the federal agency in approving or refusing to approve the plans is limited, which should avoid too much meddling in the details of local administration.

Although thus appearing to be generally satisfactory, the act may well be scrutinized in some of its provisions. Requirements for state and local matching of federal funds vary considerably. In the grants for old-age assistance, aid to the blind, crippled children, and part of the grant for maternal and child health, the federal government furnishes 50 per cent of the total. In the grant for aid to dependent children it furnishes 33-1/3 per cent of the total. In the grants for child welfare and public health, no state matching is required in the act, but the federal agencies in charge are granted authority sufficiently wide to require matching by administrative regulation.

With the exception of the sections on maternal and child health and on public health, where financial need is included as a factor in distributing funds, the grants are all of the straight matching

type with no special provisions for equalizing state burdens. All grants-in-aid help to equalize state burdens to some extent since the part borne by the federal government is a general burden throughout its jurisdiction. However, it may be pointed out that the wealthiest states will receive the largest federal aid, and poorer states may be unable to provide adequate matching funds. Despite the inherent difficulties, some equalizing provisions may be necessary in the future.

OTHER WELFARE ACTIVITIES

Perhaps more striking than the provisions of the act are the omissions from it. As pointed out above, the ill and physically or mentally handicapped are largely disregarded while the unemployed are totally disregarded. These two types of classes stand on somewhat different ground so far as the desirability of federal assistance is concerned. Federal responsibility for need of welfare services and federal benefit from those services are least in the case of the physically and mentally disabled. Furthermore, the claim for federal assistance in financing the care of these groups is weak from the point of view of efficiency and economy, because of the difficulties of assuring an efficient program of general relief administration without undesirably close supervision by the federal government. The types of pensions comprising the bulk of the federal appropriations for welfare services in the act will probably involve much less difficulty in this respect than would general relief.

It may prove to be more desirable for the federal government to make its contributions to a permanent relief program in the form of generous aids in those fields where efficiency and economy can be most readily maintained. This would leave a no greater total burden on states than if federal assistance were granted for financing general relief, if the total amount of federal funds granted were the same regardless of the services for which granted.

The relief of unemployment is a distinctly different question. From the viewpoint of benefit and responsibility, the case for federal assistance in caring for the unemployed is stronger than for assistance in any other type of welfare service. No plan of public welfare services is complete that ignores this important subject. It may be argued that provision for unemployment relief is unnecessary since the Federal Emergency Relief Administration and the federal works program take care of the present need while the unemployment insurance sections of the act will take care of future needs. These provisions are, however, insufficient. The Federal Emergency Relief Administration was a temporary organization and is being liquidated and retired; the works program has failed to eliminate the problem of unemployment relief and is at best a temporary measure. There is no expectation that, at least in the near future, state unemployment compensation laws will cover all types of industries. Agriculture, domestic service, and public employment are almost certain to be excluded as are also small-scale businesses of all kinds. Furthermore, unemployment compensation at best is not likely to care for more than the first thirteen or twenty-six weeks of unemployment. Finally, no one can receive unemployment compensation unless he first becomes employed, and it is probable that great numbers of those now unemployed will fail to come under the provisions of the laws for years to come.

Difficulties applying to general relief need not be present in the case of unemployment relief. The administration of the unemployment compensation

acts in the states will necessitate the setting up of employment exchanges and other administrative machinery. The presence of these organizations should make possible an efficient, coordinated program of supplementation to care for persons not coming under the compensation acts or for persons coming under the acts after the expiration of the period of compensation.

SUMMARY

Grants-in-aid for public welfare services came into existence as part of a wave of depression legislation. Should they be retained in a period of prosperity? An examination of the aids from the viewpoint of intergovernmental fiscal relations reveals principles on which conflicting answers can be based. To the writer there do not appear to be any defects so serious as to indicate the desirability of abandoning the policy of federal assistance for public welfare purposes with the return of prosperity. Indeed, its scope should be extended. Such deficiencies as may appear to be present should be capable of correction without upsetting the vested interests that are being brought into existence by the act.

St. Petersburg Survey.—An exhaustive survey of the financial situation of St. Petersburg, Florida, has been undertaken by the Consultant Service of the National Municipal League at the request of the council of that city.

The purpose of the survey is to determine ability to pay—i.e., the sum which St. Petersburg can reasonably be expected to pay for debt service.

St. Petersburg presents one of the outstanding default situations in Florida. Its difficulties began before the national depression with the collapse of the Florida boom. Its debt now aggregates in round numbers twenty-one million dollars. The city is paying 3 per cent interest on the basis of an agreement entered into with the bondholders' committee on October 12, 1933. Under the agreement the city applies moneys collected for debt service beyond the interest requirement to the purchase of bonds in the open market. Progress in the reduction of principal by this means, however, has been very slow, and as the agreement with the bondholders calls for an increase in the rate of interest in 1938 to 4 per cent, in 1940 to 5 per cent, and in 1943 to the contract rate, and as provision must some time be made for the regular amortization of the debt, the city council has ordered this survey for the purpose of determining as far as possible the facts upon which the future treatment of its debt situation should be based.

The survey will include:

(1) A consideration of the necessary expenditures for the operation of the city government, including the proper maintenance of its streets, parks, public buildings, etc.;

(2) A study of the city-owned utilities (gas, water, street railway, etc.) to determine the income which can be derived from each without allowing the plant or service to deteriorate or rates to become exorbitant;

(3) A study of the revenues to be derived from licenses and other miscellaneous sources;

(4) An examination of property values and other economic factors in St. Petersburg to determine what taxes property owners can pay without imposing on them impossible burdens.

From the survey outlined above it is expected that it will be possible to reach a fairly accurate conclusion as to the present ability of the city of St. Petersburg to pay debt service. The Consultant Service report will be ready about June 1. A further analysis of the conditions affecting the probable growth of the St. Petersburg community will enable the city to make as accurate an estimate as it is humanly possible of future ability to pay.

Health, Sickness and Social Security

Sickness, one of the greatest causes of insecurity, not provided for in federal social security act. Some states giving consideration to the problem

I. S. FALK

Formerly Health Consultant, The President's Committee on Economic Security

In ordinary times sickness is the leading cause of insecurity. Sickness reaches into every home and, in a normal year, is the most common cause of loss of earnings and of dependency, accounting directly or indirectly for something between one-third and two-thirds of all cases in which the family is forced to seek financial or social assistance. These points must not be lost from sight in preoccupation with the special problems of an emergency period.

In an ordinary year earnings lost because of sickness in this country amount to something between 1.0 and 1.5 billion dollars and medical care costs about 3.7 billions. When these direct costs of sickness are restricted to the lower income classes of the United States, the figures are as follows:

Family Income	*Loss of Earnings*	*Costs of Medical Care*
Under $1,200	$250,000,000	$ 300,000,000
$1,200- 2,500	650,000,000	1,200,000,000

The costs of medical care exceed the loss of earnings. Expressed in average costs for the people in these income brackets:

Family Income	*Average Loss of Wages Per Employed Person*	*Average Cost of Medical Care Per Family*
Under $1,200	$25	$49
$1,200- 2,500	32	86

It is only as a matter of unusual chance, however, that some particular individual or family actually incurs the average loss in earnings or the average costs of medical care. Except through chance and for a small proportion of the population, sickness does not come to a family in average amounts nor for average durations, nor does it cause average losses or involve average costs. Whether an illness will be mild and nondisabling or severe and disabling; whether disability will last a day, a week, a month, or a year depends upon many factors, most of which are beyond the control of the individual or even his ability to predict. People do not buy their medical care for an average sum; they buy such medical care as they think they need, as they can afford, or as they are persuaded or compelled to buy. Though predictable for the large group, the risks of sickness are uncertain for the individual and are capable of producing either mild or catastrophic effects.

Illness has little respect for family income but the charges for certain kinds of medical services are adjusted more or less according to the patient's ability to pay. Average costs incurred for medical care are therefore quite different for people in different economic levels. But large costs may fall upon small purses. The family with small

medical costs this year may be the one with large costs next year.

The uneven burden of medical costs upon individuals and families has its counterpart in the uneven distribution of income among the physicians, dentists, and nurses who minister to them. Even in 1929, for every physician who earned more than $10,000 as an annual net income from his professional practice, there were two who earned less than $2,500. For every dentist who earned more than $10,000 there were four who earned less than $2,500. This was the unhappy state of affairs in a peak year of prosperity. Since then, the lot of doctors and dentists (and also of nurses and hospitals) has been much worse. The extent of unemployment among physicians is ordinarily very large. In 1929 the services which they furnished could have been supplied by little more than 50 per cent of those in active practice if each had had a reasonably complete quota of patients to make full use of professional working time. While doctors are only partly occupied and while hospital beds stand empty, millions in need of medical service do not receive it.

The basic problem in medical costs is not to find new money with which to buy medical care, but to enable people to anticipate these costs, to budget them, and to pay them in average amounts. If the costs of medical care are to be paid in average amounts they must be paid by groups of people rather than by individuals. The need for group payment applies not only for medical costs but also for protection against wages lost on account of disabling sickness.

GROUP PAYMENT OF SICKNESS COSTS

The group payment of sickness costs is not a new concept but an old and well established practice. Charity and the sliding scale of medical fees are methods of group payment, though not generally recognized as such. Insurance and taxation are frankly methods of group payment.

A large part of charity is still the gift of individuals, but to an increasing degree charity is given by groups of individuals through organized agencies. Charity shifts the burden from the sick to the well and from one social or economic group to another. This is more clearly evident in organized than in individual charity. Experience demonstrates the inadequacy of charity to solve more than a small part of the problems created by sickness. Furthermore, decent people impoverished through no fault of their own insist that security must rest upon something more respectable than a handout.

Physicians give large volumes of service to the poor at "reduced" fees or without charge. To the extent that they earn larger fees from their well-to-do patients, they are able to give their services to poorer patients at lesser fees and still earn incomes which will sustain them in the practice of their profession. The whole scheme breaks down, however, and bankrupts the profession when physicians do not have rich patients to charge for the poor. Unlike the direct giving of charity, the sliding scale of fees operates not through an impersonal agency but through the individual physician, dentist, or hospital. The doctor taxes the rich to pay for services to the poor, except that only the sick—and not the well—among the members of the higher economic group pay for services furnished to the lower group. Though the sliding scale has had great utility in the past, it has come to be largely a useless and inequitable procedure in these times when intimate and continuing relations between doctors and patients have largely disappeared and when doctors can have little or no accurate knowledge of their patients' ability to pay. The practice persists and

will continue, but it can cope with only a small part of the problem which medical costs create for a modern society.

Group payment through insurance has developed in many places in the United States. Compulsory insurance we have only for injuries and illnesses which arise out of employment. This form of group payment, operating under the workmen's compensation laws, furnishes the workman a measure of protection against loss of wages and the costs of medical care. It does not apply to his dependents.

Commercial sickness insurance is sold primarily to furnish cash benefits through individual or group "accident and health policies." Most of this type of insurance undertakes to furnish only cash benefits. Of about two hundred million dollars a year paid out in benefits under these policies, less than 10 per cent is devoted to the medical benefits.

Group payment through non-profit insurance has been a more important development. Many different kinds of groups use insurance to provide medical care for their sick members and for the partial replacement of wages lost on account of disability. The most common group has been the employees of a single industry, banded together in a "mutual benefit" or similar association. In some places, these industrial medical services are financed entirely by industry; in others, the costs are met entirely by the insured persons; and in most, both industry and the employed persons share the costs. Several million employed persons are members of insurance groups which provide complete or partial medical service for these persons or for them and their dependents, some with and some without wage benefits. Group payment has recently been given a strong impetus through the development of non-profit, community plans for hospital insurance. A count shows that at least three hundred thousand persons subscribe for hospital insurance and the number is increasing.

Arrangements which enable an individual to pay his medical bills through a credit agency and instalment payment are not group payment or insurance. Instalment payment distributes costs over a period of time but not among groups of people. It is used not to protect the family against a future risk of sickness but to mortgage its future income against an event which has already occurred.

PAYMENT THROUGH TAXATION

Group payment of sickness costs through taxation is an older and more extensive practice than group payment through insurance. Traditionally, there has been an important difference between the two. Through insurance, the potential beneficiaries pay for services which they may receive; through taxation, taxpayers pay for public health services furnished to the entire community and for individual medical services furnished to the poor and the indigent. Latterly, even before the emergency measures were instituted by federal, state, and local governments to care for the victims of the depression, there has been a tendency to extend the use of tax funds to pay for services for those who pay the taxes as well as for the dependent members of society.

Most of the activities which are supported through taxation are financed from general tax funds and, hence, more or less according to ability to pay. Tax payment through assessment, i.e., through equal or graded payments by those who will actually benefit from the use of the funds, is used only in small measure to pay for tax-supported medical services.

Group payment through taxation embraces many types of public medical services—the activities of health departments, care for legally dependent per-

sons, general medical care for entire rural communities through subsidies to physicians and hospitals, medical care for persons afflicted with certain diseases or conditions which are "infused with a public interest," with mental disease or tuberculosis—apart from general medical care for the unemployed and their families. Tax-supported services are not necessarily all "state medicine." A substantial part of the tax money goes to remunerate not public servants but private practitioners and private ("voluntary" or non-official) hospitals, and other institutions. Thus, much of so-called "socialized medicine" is "socialized" in respect to the payment of costs but not in respect to the furnishing of service.

Taken all together, the group payment of sickness costs ordinarily involves more than one billion dollars a year. In this total, medical care, as distinguished from partial replacement of wage-loss, accounts for over eight hundred million dollars a year. This sum represents expenditures made in "normal" years other than through the individual payments of the persons actually served by medical agencies, and equals nearly one-fourth of the total costs of all health and medical services. Tax funds, exclusive of the emergency tax expenditures in the period of depression, account for over one-half a billion dollars and equal more than one-half the total expended in group payment.

Along what line shall the practice of group payment be expanded? Any large-scale increase in the burden carried by charity is out of the question and both the public and the professions increasingly object to the inequities of the sliding scale. If people are to be given security against the financial burdens created by sickness, this must be done by distributing the costs either through insurance or through taxation, or both. It will therefore repay us to consider briefly the experience which has accumulated in many countries of the world which undertook a generation or more ago to deal systematically, through one or the other of these devices, with insecurity arising out of sickness.

HEALTH INSURANCE ABROAD

During the first half of the last century the voluntary mutual-aid movement in European countries greatly increased in scope; large numbers of social insurance societies developed and came to have millions of members. Nevertheless, the membership remained at a low figure by comparison with the persons who needed protection. The societies were excessive in number, many were small and financially weak, and they were numerous in the cities and scarce in the country. In spite of valuable achievements, the voluntary insurance movement remained inadequate as a general measure of furnishing protection against the risks of sickness.

In 1883 Germany, without making lengthy experiments with the voluntary method, established compulsory sickness insurance for industrial workers. Two years later the scheme was extended to commerce, and the following year to agriculture. The movement then spread rapidly to other countries.

Sickness insurance legislation was held up during the war but was resumed with fresh vigor after the conclusion of the peace. All systems adopted since the World War have contained compulsory features. Between one hundred million and two hundred million persons are now furnished substantial protection through existing schemes. The following tabulation shows the widespread practice of health insurance:

Countries Having Health Insurance Which Is Entirely or Principally Compulsory

Austria	Chile
Bulgaria	Czecho-Slovakia

Denmark[1]	Lithuania
Esthonia	Luxemburg
France	Northern Ireland
Germany	Netherlands
Great Britain	Norway
Greece	Poland
Hungary	Portugal
Irish Free State	Roumania
Italy[1]	Russia
Japan	Switzerland[1]
Latvia	Yugo-Slavia

Countries Having Health Insurance Which Is Entirely or Principally Voluntary

Argentina	New Zealand
Australia	Palestine
Belgium	Spain
Brazil[2]	Sweden
Canada	Switzerland[1]
Denmark[1]	Union of South Africa
Finland	Uruguay
Italy[1]	

The vast experience which has accumulated with health insurance holds many guides for any plan which may be contemplated in the United States. It is difficult, and in a sense dangerous, even to try to summarize this experience. Yet a few lessons and conclusions stand out in sharp relief.

1. First, and above all other trends, health insurance has moved steadily from voluntary to compulsory systems. This is clearly due as much to the need for the elimination of undesirable practices which develop in the voluntary period as to correct the failure of voluntary schemes to cover the most needy persons. No country which has once established a compulsory system has ever gone back to a voluntary scheme.

2. Sickness insurance dealt first with wages lost through disability, and second with medical service. Yet in the course of time the programs have generally placed increasing emphasis upon medical care and less upon wage-loss—more upon restoration of the sick and less upon compensation of the disabled.

3. The scope of the insured population has generally increased and both contributions and benefits have been enlarged. The financial strength and the social usefulness of the insurance system, especially when contributions are measured as a percentage of wages rather than as a fixed sum, increase the higher the income brackets which are included in the scheme. However, the existing schemes are still generally "poor-man's systems."

4. The diversity of arrangements through which the contributions are paid and the benefits administered testifies to the adaptability of health insurance to local conditions.

5. Administration is generally vested in insurance societies or funds which are under the sole control of the insured persons, or of them and their employers. The function of government is to supervise and regulate rather than to administer the insurance institutions. This practice developed because the insurance institutions were in the field ahead of government and before there was legal compulsion. In the United States where mutual associations of wage-earners are but little developed, a substitute in the form of government offices would have to be conceived in place of the insurance societies which abound in many other countries.

6. Medical provisions in health insurance schemes are never all-inclusive and are supplemented in every insurance country by tax-supported hospitals and other tax-supported services.

7. There is no important difference between systems which are labelled

[1]Countries having both systems, applying to different fractions of the population, or for different classes of risk. In addition to her own voluntary system, Italy retained after the World War the compulsory systems which had existed in former Austrian and Hungarian provinces. In addition, Italy has a compulsory system of insurance against tuberculosis which applies to the entire country. In Switzerland, the systems are quite different in the various cantons. In Denmark registration ("passive insurance") is compulsory but active membership in insurance is nominally voluntary though there are financial and social compulsions.

[2]Medical benefit is made compulsory in recent old-age and invalidity pension acts.

"sickness insurance" and those which are labelled "health insurance." Each has been criticized on the ground that it has not taken a very active part in formal measures to prevent disease or disability. This criticism is only partly justified. Nevertheless, any system created anew should contemplate from the very beginning a closer link between insurance and public health than has been traditional.

8. All experience the world over has shown that those who are insured should be furnished medical care rather than the money with which to purchase service. This conclusion is supported even by the experiences of the one large country (France) where medical benefit takes the form of cash to give the insured person partial reimbursement for private medical expenditures.

9. Health insurance has not become and is not now "state medicine" or "public medicine." It has remained a system whereby contributions derived largely or entirely from insured persons and employers (and, with some exceptions, not from tax funds) go into a common pool from which to remunerate private practitioners of medicine, dentistry, etc., as well as hospitals and pharmacies.

A few general comments may be added to these specific observations. The provision of (medical) service benefits, in preference to money with which to purchase services, compels the insurance institutions to make arrangements with physicians, dentists, nurses, hospitals, etc. These arrangements involve difficult problems which have not been wholly solved in some countries and not always peacefully. However, it has been possible to establish such sound procedures that neither the public nor the government nor the professions would give up any of the major elements of the existing schemes in any insurance country. Despite a great deal of misinformation to the contrary, the provision of medical service of substantial quality has been found to be entirely compatible with the needs and the limitations of health insurance.

Almost world-wide experience shows that the arrangements for insurance for medical services should separate so far as possible two largely incompatible functions which devolve upon the physician—(a) prevention and cure of disease, from (b) certification of disability for the partial reimbursement of wage-loss.

By enabling the poor and the people of small means to obtain care at costs within their means, health insurance has been a bulwark against the "socialization" of medical practice. It has financed and has made possible the continuance of private practice for those income classes which many argue should be served by "socialized" medicine. This, according to one's point of view, is among the virtues or weaknesses of health insurance.

SOME RECENT DEVELOPMENTS IN THE UNITED STATES

Even apart from the provisions under the workmen's compensation laws which furnish protection to millions of wage-earners, health insurance is a well established practice in the United States. Though castigated by uninformed critics as some visionary and academic proposal, it is actually far more prevalent in the United States than was unemployment compensation before the enactment of the social security act in August 1935.

Attempts have been made in the past to establish legally required (compulsory) insurance for non-industrial illness and medical care. Between 1912 and 1920 an active campaign was carried on to enact such legislation. In 1916 and again in 1917 resolutions were introduced in Congress to create a

federal commission empowered to draft a plan for a national insurance fund against sickness, invalidity, and unemployment. These resolutions died in committee. Nine states gave special study and legislative consideration to sickness insurance, and bills to provide compulsory systems were proposed in five. All failed of enactment.

Between 1920 and 1927 there was comparatively little interest displayed in this subject in the United States. With 1927 a new period began, for in that year the Committee on the Costs of Medical Care came into being. This committee of fifty persons included representative physicians, public health workers, dentists, nurses, hospital and other institutional authorities, educators, economists, sociologists, and citizens long active in the general public welfare. It devoted itself to a five-year program of dispassionate study and investigation. It is significant that the committee worked, not during a period of economic depression, but during the heyday of a boom period. In the light of the facts brought out by the studies of its research staff, the committee's recommendations published in 1932 were extremely mild and conservative:

> I. . . . that medical service . . . should be furnished largely by organized groups. . . . Such groups should be organized, preferably, around a hospital. . . .
>
> II. . . . the extension of all basic public health services . . . so that they will be available to the entire population according to its needs.
>
> III. . . . that the costs of medical care be placed on a group payment basis, through the use of insurance, through the use of taxation, or through the use of both these methods.
>
> IV. . . . that the study, evaluation, and coördination of medical service be considered important functions for every state and local community. . . .
>
> V. . . . that the training of physicians give increasing emphasis to the teaching of health and the prevention of disease . . . that specialties be restricted to those specially qualified . . . that dental students be given a broader educational background. . . (etc.).

These mild proposals for voluntary action here and there, wherever groups of people wish to try it, were met by a storm of criticism in certain medical circles and the *Journal of the American Medical Association* referred editorially to this report as "socialism and communism—inciting to revolution"!

In 1933 little of any consequence occurred beyond the adoption of resolutions by medical and dental societies condemning the report of the committee and endorsing the (dissenting) minority report, despite the fact that a majority of all physicians on the committee and a majority of its private-practitioner members had signed the majority report. During 1933, the economic depression plumbed lower and lower social depths and the problems of medical care continued to become more and more acute for tens of millions of people.

In 1934 it became evident that progressive doctors and laymen were actually attempting to deal with their problems in many local areas. The American Medical Association formally adopted the policy of encouraging "controlled experimentation." The association's formal resolution of June 1934, which opposed the group payment of medical costs, was amended a year later to encourage voluntary experiments "under medical control."

In the meanwhile, there were two other important developments. First, the emergency programs of the federal government undertook to care for the depression poor and accepted medical care as one of the four necessities of life—along with food, clothing, and shelter. Simultaneously, state and local governments, as well as private charities which had already given generous support to the medical needs of the destitute, undertook vastly expanded programs of medical relief to supplement the federal relief. Second, President

Roosevelt committed the administration to a study of social insurance as a long-range program to furnish security and created the Committee on Economic Security. This committee undertook to study, among other subjects, health insurance. Thus were launched, under the first, a new and unprecedented system of medical care financed out of tax funds to enlarge the already existing practices of tax-supported medicine, and, under the second, a careful investigation of means to give the lower income classes security against sickness.

The emergency provision of public medical services involves a long story. There were unavoidable difficulties in the hurried creation of a vast machinery to care for more than twenty million people who found themselves without elementary necessities. Nevertheless, medical care was furnished these people, though of highly variable adequacy. The public accepted, as an unavoidable necessity, a large expansion of tax-supported medical care. The professions learned new lessons in the art of co-operating with government authorities in meeting a public need and accepted, on the whole, quite willingly the necessity of being practitioners of "state medicine" to the extent that they were being paid by public authorities instead of by patients. Furthermore, many learned that the quality of medical practice was determined more by the competence of the practitioners, their interest, and the extent to which they had time and occasion to give good service than by the method or amount of payment.

Since cash relief has given way to work relief, some of the medical relief has been abandoned. In the large cities, a vast amount remains and seems destined to remain for some time to come for those forms of care which are unusually expensive for people with small incomes and little or no reserves. Furthermore, there has been no substantial deflation of free institutional medical care; general and special hospitals, sanatoria and institutions for those afflicted with mental disease are still going full-blast as public or private institutions supported largely out of tax funds or the contributions of organized charities or of both. The hospitals are still laboring under the colossal task of giving free care, and as yet see little likelihood that their burdens will soon decline.

COMMITTEE ON ECONOMIC SECURITY

The work of the Committee on Economic Security cannot yet be fully evaluated, but deserves some description. Prior to June 1934, American students of health insurance had become convinced that any practical scheme which might be proposed must be designed primarily on a state-wide basis. The provision of service benefits (as distinguished from cash benefits) requires many adjustments of social insurance practice to the different needs and facilities of local areas. A plan for health insurance must therefore be flexible. The moving force in the establishment of health insurance may be federal rather than state or local, but the substance of a specific plan must allow for state and local needs. This was clear before June 1934, and—as we shall see—remained a fundamental element in the plans developed during 1934 and 1935.

In the executive order establishing the Committee on Economic Security, the President charged it to "study problems relating to the economic security of individuals." This was interpreted by the committee to embrace the study of sickness as one among a number of causes of insecurity. The committee's technical staff was first instructed to study health insurance as a method of furnishing protection against sickness. Preliminary analyses soon showed that

this was too narrow an approach. Logically, the first step toward security against the effects of sickness is prevention. This enters the field of public health. Certain types of services for the sick are already accepted functions of government. In this area, the problem required study of the possibilities of expanding tax support for public institutions and public medical services rather than the substitution of insurance contributions for tax funds. Health insurance then remained as a technique to deal with wage-loss caused by sickness and with the costs of medical services other than those specifically covered by public health or other public (tax-supported) provisions. As actually carried forward, the studies of the committee's staff attempted to deal not merely with health insurance but with the whole broad problem of furnishing security against sickness.

ADVISORY COMMITTEE

An interesting and important development was the formal recognition of the rôle of the medical and the related professions in these studies. In an effort to avoid some mistakes which had been made in European countries, the committee's staff proposed the establishment of various professional committees to consult and advise with the staff, and the Committee on Economic Security created five such advisory committees—the public health, medical, dental, hospital, and nursing advisory committees. For the first time in the history of the subject, the professions were brought into the deliberations from the beginning.

The specific plans to improve the practice of public health and preventive medicine in the United States were approved by all advisory groups and by the Committee on Economic Security. Proposals for the expansion of public medical services and facilities required no new legislation and were referred to the proper executive authorities. The medical advisory committee asked for extension of time to study the proposals in respect to health insurance and this request was granted. Accordingly, the first report of the Committee on Economic Security to the President (January 15, 1935) included the following recommendation:

> As a first measure for meeting the very serious problem of sickness in families with low income we recommend a nation-wide preventive public-health program. It should be largely financed by state and local governments and administered by state and local health departments, the federal government to contribute financial and technical aid. The program contemplates (1) grants-in-aid to be allocated through state departments of health to local areas unable to finance public health programs from state and local resources, (2) direct aid to states in the development of state health services and the training of personnel for state and local health work, and (3) additional personnel in the United States Public Health Service to investigate health problems of interstate or national concern.

Under the social security act, Congress authorized the annual appropriation of $13,800,000[3] for federal public health services and grants-in-aid to the states for their public health activities.

The committee also said in its report to the President:

> The second major step we believe to be the application of the principles of insurance to this problem. We are not prepared at this time to make recommendations for a system of health insurance . . . We . . . expect to make a further report on

[3]This included $8,000,000 for allotment to the states through the United States Public Health Service for state and local public health purposes, $3,800,000 through the United States Children's Bureau for maternal and child health, and $2,000,000 to the Public Health Service for research and additional personnel. In addition, there were authorizations for $2,850,000 for the care of crippled children and $1,500,000 for child welfare work.

this subject. . . Elsewhere . . we state principles on which our study of health insurance is proceeding. . . .

Since the committee made this report to the President, it has received the report of its staff but, of course, too late for use in connection with the social security act. Public knowledge of the recommendations which the committee has to offer on additional measures for security against sickness must await the publication of further reports from the committee or from the Social Security Board, the permanent executive body established under the act.

THE PRESENT SITUATION

The general public is only too intimately familiar with insecurity arising out of illness but, on the whole, is not widely informed that there are ways of furnishing security against this risk. Because the economic consequences of sickness reach every family, the political implications of a program to furnish security against sickness are broad and deep. What policy the government will follow is not yet clear.

There are no important legal difficulties confronting public medicine. The legal issues in respect to a federal program for health insurance are unimportant, since the Committee on Economic Security proposed to follow the well established procedure of grants-in-aid to states as the basis of federal participation in a national program. The committee also suggested that the states should have broad latitude in choosing between public medicine and contributory insurance.

While waiting upon the clarification of federal plans, other events are moving rapidly. Legislative proposals are beginning to take form in the states. For example, the model bill for health insurance, sponsored last year by the American Association for Social Security, received considerable attention in many state legislatures and will presumably be submitted again.

Three elements internal to the present social insurance practice may be expected to force the consideration of health insurance in the near future.

1. Many people will probably soon discover that while the present social insurance program may furnish some protection against the long-range but infrequent risks of old age and unemployment, it does not deal with the common and frequent risks caused by illness. The social security act was passed in a period dominated by the threats of Townsendism and widespread unemployment. When these disappear (assuming they will) and the existing insurance measures tend to exorcise their spirits (as they may temporarily), the *current* risks to security will become relatively more pressing. Sickness as a cause of insecurity will then loom larger than it does at present. It will become necessary to supplement unemployment compensation for the healthy worker who has no job and has normal costs of living by unemployment compensation for the sick worker who has a job but cannot work at it and has unusually high expenses because of sickness.

2. There will probably be many persons who should be covered by the existing schemes but for whom contributions will not be paid, either for old age or for unemployment protection. There will be many causes operating to this end. Dealing with risks whose occurrence is, to many, seemingly unlikely or remote, many for whom the contributions *should* be paid will not exert the needed pressure to see that they *are* paid. Society generally, and governments in particular, will find themselves faced with burdens of which insurance was intended to relieve them.

3. There will probably soon develop serious misgivings over the large and diverse groups of people who are in need of insurance but who were not covered by the social security act, because of the technical difficulty of collecting contributions in their behalf. It will then be discovered that these problems of collecting contributions were largely avoided or

> circumvented in European schemes of social insurance by the simple device of combining such a scheme as old-age insurance, dealing with a remote risk, with health insurance, dealing with a proximate and recurring risk. There has apparently been no adequate realization in the United States of the rôle which health insurance and disability or invalidity insurance have played in bringing about the self-enforcement of other forms of compulsory social insurance in European countries through the linkage of required contributions.

It would be unsound to leave the impression that the absence of health insurance from the social security act is to be explained altogether upon unavoidable delays in the formulation of a program or upon indifference on the part of authorities. It is too well known that health insurance has been, administratively and financially, the most successful form of social insurance abroad; that it has been financially solvent even in periods of economic and social distress; that it does not involve the capitalization of the risk, and therefore presents no problems of investment and liquidation of large reserves; that more than any other form of social insurance it does not call for "new money" but chiefly for the pooling of existing expenditures, and that it depends less than any other upon help from tax funds or from employer contributions. Federal legislation could be drafted along well established legal lines in a short space of time. A fair description of the situation requires mention of the opposition to health insurance from certain spokesmen for the medical professions. It would be just as unsound to ignore this phase of the subject as to give it weight which it does not deserve.

"Organized medicine" (principally the American Medical Association) recorded first its opposition to all forms of insurance against medical costs and later to compulsory insurance. There is a curious paradox. The majority report of the Committee on the Costs of Medical Care, which had endorsed *voluntary* insurance, was strongly condemned by the association. The minority report of the committee, which had received the formal approval of the association, was not cordial to insurance in general but said:

> It seems clear, then, that if we must adopt in this country either of the methods tried out in Europe, the sensible and logical plan would be to adopt the method to which European countries have come through experience, that is, a compulsory plan under governmental control.

These inconsistencies are not consequential beside the fact that the association undertook an active program of opposing health insurance legislation and, itself or through its constituent societies and members, brought pressure to bear upon legislative and executive authorities in the federal and state governments.

Not all professional groups are opposed to health insurance. Many individual physicians and dentists, and many groups and societies, have become convinced that the *status quo* is unsatisfactory alike to the public and to the professions. They are prepared to follow sound leadership in finding newer and better ways of enabling people to budget against the costs of sickness. In addition, many associations of merchants and other business people and organizations like the American Federation of Labor are becoming increasingly interested in health insurance and may be expected to take definitive stands before long.

Although public medicine and health insurance are, in actual practice, not alternatives but supplements, there is a choice as to the extent to which each will be developed. Public medicine is al-

ready far developed in the United States and is an accomplished fact in many sectors of medical practice. Dr. Thomas Parran, Jr., the distinguished commissioner of health of New York State, points out, for example, that when less than one-sixth of the population were relief charges in his state in 1934, less than one-half the patients in general hospitals were paying patients.

> This situation arises from the fact that standards of indigency applicable to the giving of public relief are not applicable to the giving of public medical care. A man may be entirely self-supporting so far as furnishing himself and his family with food, shelter, and clothing, yet he may be unable to provide needed medical care for catastrophic illness.

Dr. Parran's conception of a sound plan of public medical service envisages tax-supported service for the lower income groups, embracing not general medical care for the usual short-term illness, but the expensive, "catastrophic" services with due regard to the particular diseases or conditions which are "endowed with a public interest." By this he refers to the communicability of the disease or its social importance, and to the practicability of reducing morbidity and mortality.

Tax funds must continue to pay for public health services, for the care of the tuberculous and the mentally diseased, and for the building of hospitals. Tax support of facilities for accurate diagnosis, for obstetrical care, home nursing and treatment of chronic diseases is a question of degree, for society must at least continue to care for those who are public charges. A real issue in this regard is not whether we shall have public medical service or shall not have it, but whether it will be continued as at present or will "be given as a matter of right at public expense for the lower economic groups without making it necessary for them to cheat or beg for it." In response to the criticism, so often advanced, about the "abuse" of free medical care, one may say with Dr. Parran: "I am less concerned about the admittedly small percentage of dispensary patients able to pay fees to a private physician than I am about the much larger number of sick people getting inadequate care."

It may be that in New York State, and in some other states with long traditions of competent public medical services, expansion of tax-supported medicine holds many advantages over health insurance. However, this can scarcely be said for some other states. In any case, the issue lies clearly between the growth of public medicine and the establishment of health insurance.

Nassau County Charter Passes Assembly. —The charter for Nassau County, New York (A. Int. 703, S. Int. 611), drafted under the terms of the Fearon county home rule amendment by the Nassau County Commission on Governmental Revision with the assistance of the Consultant Service of the National Municipal League (Thomas H. Reed, Director), passed the Assembly on February 24. It would establish an elective county executive and an executive budget, would transfer to the county the functions of assessment, health, welfare (including emergency relief), and planning, and would substitute a district court with seven judges for the justices of the peace.

NEWS OF THE MONTH

NOTES AND EVENTS

Edited by H. M. Olmsted

Council-Manager Plan Developments.— A board of freeholders elected last April in Pomona, California, (population 20,804) decided recently to recommend the council-manager plan. A charter is being drafted for submission to the voters, according to the *News-Letter* of the International City Managers' Association. In Topeka, Kansas, (64,120) a citizens' council is studying the manager plan with a view toward its adoption. The Civic Association of Wilmington, Delaware, (106,597) has opened an educational campaign for the manager plan. In Jamestown, New York, (45,155) Mayor Samuel A. Carlson, upon resuming office this year, recommended the placing of administrative affairs, excepting municipal utilities, in charge of a city manager.

Harrington, Delaware, (1,812) on January 16 made effective a council-manager charter enacted by the 1934 state legislature and appointed a city manager. The Kentucky legislature recently passed an act enabling third class cities (8,000 to 20,000) to adopt the council-manager plan. In Columbus, Ohio, (290,564) according to the *Columbus Citizen* of February 22, "three days ago practically no sentiment in favor of such a reform (manager plan) existed. . . . Today it has grown to such proportions that a demand has been made for the creation of an organization to conduct a campaign." A manager charter has now been drafted and petitions are being circulated asking for a submission of the question on May 12. In Cedar Rapids, Iowa, (56,097) former Mayor Stepanek is strongly advocating the adoption of the manager plan.

Calais, Maine, (5,470) will vote on April 6 on the adoption of a charter enacted by the 1935 legislature; Racine, Wisconsin, (67,543) will vote on the adoption of a manager plan charter on April 7. A board of freeholders in El Cerrito, California, (3,870) have drafted a council-manager charter which will be submitted to the voters May 5.

Adverse decisions by state supreme courts will force two counties which recently adopted the manager plan to continue under their old charters. On March 3 the Nebraska supreme court declared the optional county manager law unconstitutional on the ground that all county officers must be elected. Douglas County had previously adopted the plan, to go into effect January 1, 1937. In Ohio the supreme court has declared that the charter recently adopted in Cuyahoga County vested municipal powers in the county and therefore needed a four-way majority for adoption. This the charter failed to receive.[1]

*

City Managers Name Coöperating Committee.— The International City Managers' Association has appointed twelve of its members to coöperate with four national engineering and management agencies, in fields allied to its own, as follows: the National Management Council, three members; the National Research Council, two members; the American Standards Association, two members; and the National Committee on Municipal Accounting, five members.

*

Long-term Rebuilding to Prevent Slums.— A neighborhood plan for the pro-

[1]For further information on the decision regarding the Cuyahoga County charter see page 189 of the March issue of the REVIEW and page 245 of this issue.

gressive reconstruction of dilapidated buildings over a term of many years is advocated by the Metropolitan Housing Council of Chicago as a means of avoiding reduction of property to a slum level.

When directed by a competent planning commission, the council's second annual report points out, the neighborhood plan may induce constructive municipal attention, such as recommendations for the vacation of unessential streets and alleys, to secure protection against nuisances, or to secure land for parks, playgrounds, or other community facilities. Also it might force owners of commercial or industrial properties to make improvements which would greatly enhance all property values in the neighborhood. The report states: "A long-term housing program *must* concern itself with more than the areas that have already reached the status of slums. It must concern itself with the forces that brought these slums into existence. It is not sensible to regard as one's only job the replacement of slums with good buildings, while one allows the causative factors to continue merrily at work creating new slums. A program must concern itself with the not-yet-slum areas, and even the land plan of the new subdivision, because both may have in them the factors which will result ultimately in slums."

*

Municipal Legal Information Service.—The New York State Conference of Mayors has inaugurated a new service whereby it is hoped to coördinate and make more effective municipal legal work. City and village legal advisors will be kept informed about legal proceedings and results in all municipalities, opinions of the attorney-general, administrative rulings of state departments, federal court decisions, federal administrative rulings, and any other pertinent legal data affecting municipalities in this and other states.

*

Proposals for Unicameral Legislatures.—Following the example of Nebraska, a proposed constitutional amendment for New Jersey has been introduced in the legislature by State Senator James I. Bowers, calling for a single-chamber legislature of not more than sixty members, to be elected by districts. Any county of population sufficient to entitle it to two or more members is to be divided into corresponding districts as nearly equal in population as may be, and of contiguous and compact territory. The federal census of citizens is to be the basis; and redistricting to correct inequalities in population shall not be more often than once in ten years.

A suggestion for a unicameral legislature for Michigan has been criticized by Arthur W. Bromage, professor of political science at the University of Michigan, as unsuited to a state like Michigan with its conflict between urban and rural interests.

A one-house legislature is likewise being considered in California, in connection with possible thorough-going revision of the state constitution.

In New York State Senator Thomas C. Desmond introduced a resolution in the senate calling for a joint legislative committee to study and investigate simplification and modernization of the legislature, with a single house as an important consideration, the committee to report by February 15, 1937.

*

Kentucky Governmental Reorganization.—A governmental reorganization plan for the executive branch of Kentucky's state government has been presented to the general assembly. Administrative functions and agencies are reduced from approximately one hundred to twenty-two, seven being constitutional, nine statutory, and six being continued as independent agencies. The basic change is concentration of authority and responsibility. Department heads, appointed by the governor and directly responsible to him, and having full charge of their respective departments, take the place of boards and commissions in most cases.

*

Conferences for Interstate Coöperation.—The first quarter of the current year has seen six gatherings of various state commissions on interstate coöperation, to discuss as many different subjects of interstate concern. In January the New York commission called a conference on highway safety in New York City, at which delegates from nine eastern states were present. Early in February the commissions of New York, New Jersey, and Pennsylvania held a joint hearing in New York City on interstate phases of milk control; representatives of producers,

middlemen, and consumers met with the officials of the governors' committee on interstate milk relations, which acts for seven states in that region. Interstate commissions also participated during February in the interstate park conference and the interstate-international conservation conference, in New York City. In March New York, New Jersey, and Pennsylvania called a conference on relief of transients, bringing together in Trenton representatives of state public welfare departments and emergency relief organizations of the states east of the Mississippi, and of the federal government; and also an interstate stream pollution and water supply conference in Philadelphia.

The interstate sanitary commission, created in 1931 by New York, New Jersey, and Connecticut, has been given greater effectiveness by recent legislation in New York, in harmony with acts of the New Jersey legislature. The commission has the task of attempting to control pollution of the upper New Jersey coast, most of the shore line of Long Island, and the Hudson River up to Tarrytown. It cannot itself undertake construction projects, but can bring suit against any of the 103 communities in its territory which are negligent in preventing water pollution.

*

Michigan Personnel Study.—Governor Fitzgerald of Michigan has appointed a commission of five to draft a civil service law for the state. Professor James K. Pollock of the University of Michigan is the chairman. The other members are Lent D. Upson, Mrs. Siegel Judd, Haskell L. Nichols, and Edmund C. Shields. Public Administration Service has been retained by the commission to assemble facts as to the existing situation.

If adoption of the merit system results, Michigan will follow the example of ten other states, starting with New York in 1883, and including California, Colorado, Illinois, Maryland, Massachusetts, New Jersey, Ohio, Wisconsin, and Kansas. Kansas, however, is reported not to have appropriated funds for its civil service commission since 1919, three years after adoption of the system. According to G. Lyle Belsley, executive director of the Civil Service Assembly of the United States and Canada, public hearings held thus far in Michigan show an overwhelming sentiment in favor of the merit system. Citizens and voters are represented at these hearings, so that the people as well as political scientists may be considered as expressing this opinion.

*

Students Attend Washington Conference.—The National Institute of Governmental Affairs arranged a conference in Washington, D. C., from March 29 to April 4, for students from various colleges throughout the country, to include visits to sessions of Congress, congressional committees, and the Supreme Court, meetings with leading governmental officials, legislators, press correspondents, and lobbyists, and attendance at evening round-table discussions.

*

Housing Conference at Pennsylvania State College.—In line with the general and increasing interest in making effective provisions for low-cost housing, and to deal with the fact, pointed out in the preliminary report of the Pennsylvania State Planning Board, that in the last fifteen years relatively few dwellings have been built in that state for low-income groups, Pennsylvania State College has arranged a conference on low-cost housing to be held April 16-17. The program will emphasize the factors that may contribute to a reduction in the price of housing to the consumer.

*

New York State Mayors Discuss Municipal Utilities.—Some fifty city and village officials of New York State met with Mayor LaGuardia in the city hall of New York City on February 17-18, to discuss municipal utility legislation and problems. Aside from a program of talks the conference took up drafts of three bills to permit municipalities to issue revenue bonds for municipal electric plants and to establish power authorities. A committee was appointed to perfect the bills.

*

Rhode Island Defeats Constitutional Convention Proposal.—The special election in Rhode Island on March 10 on the question of holding a constitutional convention resulted in a defeat for the proposed reform. The towns in the southern part of the state, where Republican strength is concentrated and which feared loss of power in the legislature, were reported to have registered particularly

heavy opposition to the proposal which resulted after the Democrats had finally taken control of the state government last year.

*

City Managers Appoint Career Service Committee.—A permanent committee of the International City Managers' Association will study ways and means of improving the quality of local government employees through selection and training. Called the Committee on Career Service, it aims at the creation of "a genuine municipal career service throughout the country." One objective of the study is the clarification of the special personnel problems of local governments and an analysis of obstacles to the establishment of a career service, as the Commission of Inquiry on Public Service Personnel has done for government in general.

Subjects included in the study are preparatory education for municipal administration, training while in service, restriction of jobs to local residents, state-wide retirement systems for municipal employees and for administrators in particular, standards for the appointment of department heads, and salary standards.

University professors and experts in civil service, as well as city managers, are serving on the committee.

COUNTY AND TOWNSHIP GOVERNMENT

Edited by Paul W. Wager

New Jersey—Clearing Way for County Managers.— The outstanding success of municipal manager government in Teaneck Township, New Jersey, where it was adopted in 1930, and in other New Jersey municipalities which were encouraged to adopt it because of its success in Teaneck, has given impetus to a movement in favor of legislation that, if enacted, will permit New Jersey counties by referendum vote to adopt county manager government. A bill to that effect has been introduced by Senator Winant Van Winkle, member of the senate for Bergen County.

The bill, which was drafted by Township Attorney Donald M. Waesche, Major Milton G. Votee, and Councilmen Louis G. Morten and Samuel S. Paquin of Teaneck, in collaboration, provides in general that counties adopting its provisions by referendum vote shall derive benefits similar to those enjoyed by municipalities that avail themselves of the New Jersey municipal manager act, which was enacted in 1923, namely, complete freedom from partisan control, and efficiency and economy in government through administration by a county council and a county manager.

Under the proposed law, any county adopting its provisions by referendum vote would proceed to elect county councilmen on a ticket carrying no party designations. Nine would be elected in counties with more than 500,000 population, seven in counties with a population between 150,000 and 500,000, and five in counties with less than 150,000 people, all councilmen to be elected at large and to hold office four years.

In any county adopting the provisions of this county manager act, upon taking office the county council and county manager would assume "all the powers and authority delegated to, exercised or performed by or conferred upon the board of freeholders, sheriff, surrogate, county clerk, coroner, and register" of such county.

This would enable the county manager, acting under direction of the county council as the policy-determining body, to consolidate or eliminate departments, commissions, or other special county agencies, in any way that in his judgment would eliminate waste or duplication of effort and promote efficiency and economy.

What the fate of the bill in the New Jersey legislature may be cannot be forecast, but its introduction is another evidence that taxpayers are becoming aroused and taking measures to safeguard their governmental interests.

SAMUEL S. PAQUIN

*

Massachusetts—Consolidation Proposed in Boston Metropolitan Area.—The mayor of Boston has petitioned the Massachusetts legislature (1) to create a special commission to study the general subject of county government in that state; (2) to appoint a commission to study the desirability of re-establishing the boundary lines of Suffolk County, and the possible detachment of the town of Winthrop and the cities of Chelsea and Re-

vere; and (3) to establish a commission to study the desirability of creating a Greater Boston, by incorporating Boston and the forty-three cities and towns of the metropolitan district into one municipal government.

*

Washington—County Consolidation Proposed.—A bulletin recently published by the University of Washington proposes the consolidation of the state's thirty-nine counties into twelve districts. The report, which is the work of Professor Selden C. Menefee, is the result of a research project undertaken a year ago at the request of the state planning commission. According to Mr. Menefee's plan, the Seattle district would include the counties of King and Kitsap; Tacoma would be limited to Pierce County only; the Everett district would include the counties of Island and Snohomish; Olympia would include Mason, Thurston, and Lewis Counties.

*

Wisconsin—The Power District Movement.—The formation of the first public electric power district, described in this column in October 1935, has given impetus to similar movements in other parts of the state. The city council of Racine recently petitioned the state public service commission to survey the surrounding area with a view to determining what localities might be advantageously combined to form a power district. The plan includes two other municipalities, Kenosha and Burlington, as well as rural units.

In January similar action was taken in Lincoln County, located in the cut-over area of the north, when a group of citizens petitioned the public service commission to call a referendum upon the question of forming a power district. The planned area in this case includes two cities and fourteen towns. The commission must pass upon the feasibility of the plan within ninety days.

LEE S. GREENE

University of Wisconsin

*

Tennessee—Supreme Court Invalidates Anti-fee Law.— The battle to rid Hamilton County and the state of "fee-grabbing" in the offices of justices of the peace, now begins all over again. The state supreme court invalidated special acts of the 1935 legislature that affected Hamilton, Washington, and Unicoi Counties apparently on technical grounds.

In the decision Mr. Justice Cook held: (1) that the legislature could not, in creating a special court for a particular county, or by transferring jurisdiction from one court to another, prescribe a jurisdiction by which citizens in the limited jurisdiction would be deprived of the right of jury trial, to do this would be to subject citizens of one county to judicial process contrary to the fundamental law; (2) on the other hand, the alleged abuses in the fee system of Hamilton County "could be corrected by the creation of inferior courts of appropriate jurisdiction without the necessity of either the legislative or judicial departments of the state ignoring or transcending the fundamental law"; (3) "possession of the office of justice of the peace *is not attended by any vested right to expectant fees.* (Italics mine.) No provision of the fundamental law clothes justices of the peace with jurisdictional power or the right to try cases. Their jurisdiction is statutory, and the justice of the peace is entitled to fees only when allowed by statute. If the official duties by which fees result should be transferred to another tribunal so that no service is required and none can be performed, no personal right is affected and no property right is impaired."

City-County Consolidation Proposed.—At the installation of officers of the Chattanooga Chamber of Commerce, one of the major projects for 1936 was to merge the city and county governments. It was asserted that duplication of services by the two local units was "absurd," and a saving of from $300,000 to $400,000 could be effected through a merger. This project has been urged for several years by one or another of the various civic groups and individuals, but nothing tangible has been done.

Counties Coöperate with the TVA.—Even before the recent U. S. Supreme Court decision upholding the TVA right to generate and dispose of "surplus electric power," more than a score of the quarterly county courts had taken action granting permission of the TVA to erect power lines for the ultimate operation of rural electrification loops. The

action taken reveals a disposition on the part of rural people to take advantage of every opportunity to get cheap power, despite some efforts on the part of private companies to build "spite lines" in the same territory. The advent of rural electrification depends ultimately upon the amount of federal appropriations for TVA and REA and the further construction of dams, power houses, and transmission lines.

County and Regional Planning and Zoning Begins.—Pursuant to a legislative act passed last year, under the skillful guidance of local supporters of TVA, and with the cooperation of the Authority's land planning division, Hamilton County has created a regional planning commission, adopted a zoning ordinance, and set hearings thereon with the view to control land-use around the new Chickamauga Dam site, and check the growth of honky-tonks, vice dens, and real estate racketeering within the area under its jurisdiction. The commission has enlisted the coöperation of the existing city planning board to aid its efforts within the boundaries of the municipal corporation. The efforts of this commission and the response to the rather mild regulations now envisaged will be watched with interest by those who hope for better social control of land use. If there is one thing that Dr. A. E. Morgan, chairman of the TVA board, has done to earn the gratitude of the people of the valley it is his determination that unconscionable real estate speculation shall not accompany the building of the dams on the Tennessee River and its tributaries. It is hoped that the Hamilton County board will be armed not only with the necessary legal implements, but also with the public opinion that must accompany the successful operation of its plans.

FRANK W. PRESCOTT
University of Chattanooga

*

Nebraska—Optional County Manager Act Unconstitutional.—On March 3 the supreme court of Nebraska declared unconstitutional the state's optional county manager law on the ground that all county officers must be elected. This decision reversed that of the lower court, holding the manager plan constitutional, reported in the March issue of the REVIEW (page 189). Douglas County, containing the city of Omaha, which had adopted the plan in November 1934 by a substantial majority, had expected to begin operation under it on January 1, 1937.

*

North Carolina—Counties Save through Transfer of Functions.—The effect of the state's taking over of the schools and roads on local budgets is well illustrated in the case of New Hanover County, containing the city of Wilmington. In 1929 the revenues of this county amounted to $824,336 and the expenditures to $832,570. In 1935 the revenues were $431,497 and the expenditures, $392,892. In the earlier year $422,512 was expended for schools and $72,403 for roads. In 1935 the county's contribution to school support was $53,121 and to roads nothing.

In 1929 property taxes contributed $795,452 of the county revenue and in 1935 only $376,791. Because of a shrinkage from other sources the proportion of the total income derived from property taxes has shown little change, being 90 per cent in 1929 and 87 per cent in 1935. The present tax rate in New Hanover County is 65 cents on one hundred dollars of assessed value.

The average tax rate in sixty-four North Carolina counties this year is $1.06 per hundred dollars of assessed value compared to $1.02 in 1934-35. Thirteen of the sixty-four counties effected reductions, twenty-three retained their last year's rate, and twenty-eight made an increase. The decreases were due mainly to better collections and lighter bond maturities. The increases were due to enlarged relief and welfare demands, heavier debt maturities, the addition or expansion of health services, and the construction and repair of school buildings.

The rates are heavier in the rural counties than in the counties containing towns and cities. The average current rate in six counties containing over 60,000 people is 71 cents; in fifteen counties containing 40,000 to 60,000 population, 96 cents; in twenty-eight counties containing 20,000 to 40,000 people, $1.09; and in eighteen counties containing less than 20,000 population, $1.23.

The rates cited are county-wide rates, whereas parts of many counties are subject to additional district taxes, these local levies being mainly to retire existing road or school debt. These local levies are in most cases

nominal, so that the total tax rate on rural property in North Carolina is very moderate. —Adapted from *Popular Government,* published by The Institute of Government, Chapel Hill, N. C.

*

Texas—Abolition of Fee System.—A special session of the Texas legislature, which adjourned in November 1935, passed three acts of significance to counties in this state. All were enacted pursuant to constitutional amendments which were adopted in August 1935.

The most important of these laws from the standpoint of county government is the one fixing the compensation of certain local officials. Texas, like many other states, has long employed a fee system as a method of compensating practically all local officials. For many years the viciousness of this system escaped public attention. Varied fees were paid for numberless activities, and the complicated nature of the system often allowed officials to violate regulatory laws with impunity. After the report of a legislative investigating committee in 1930, the legislature for several years and with very little success consumed much valuable time in attempting to set maximum limits to the amounts that might be retained by local officers. Finally, in a special election in August 1935, the voters, after having rejected a similar amendment at the general election in 1934, approved a constitutional amendment abolishing the fee system as a method of compensation for all district officers in the state and for all county officers in counties having a population of 20,000 or more according to the last federal census, and giving to the commissioners' court in counties of less population the power to determine whether county officials were to be compensated "on a fee basis or on a salary basis." In all counties regardless of population the court was to determine this question for precinct officers. Notaries public, county surveyors, and public weighers, by specific exception, are to continue on a fee basis. Furthermore, the legislature is directed "to enact such legislation as will be necessary to adequately compensate, on a salary basis," the officials covered by the amendment.

Although some pressure was brought by county officials upon the legislature in an attempt to force that body to set specific salaries, the law as finally enacted placed this responsibility upon the governing organ of the county, the commissioners' court, the members of which with the exception of the county judge receive salaries fixed by other laws. This act makes it the duty of the county commissioners' court, at its first regular meeting in January of each year, to determine whether precinct officers (except public weighers and registrars of vital statistics) shall be compensated on a salary or fee basis; and in counties of less than 20,000 population the court must determine such question for county officers. In counties having a population of 20,000 or more and less than 190,000, the commissioners' court is authorized to fix the salaries of officials enumerated in the act at a sum not less than the total compensation earned by each one "in his official capacity for the fiscal year 1935" and not more than the maximum allowed such official under all laws regulating fees which were in force at the time of the adoption of the amendment. In counties of 190,000 population or more, definite salaries are prescribed in the law for the most important county officials, with maximum salaries stated for others. The maximum compensation which may be paid to deputies, assistants and clerks is likewise stated in some detail, and control over the number of such employees is generally vested in the commissioners' court. All duties required by law are to be performed for the compensation allowed, and all fees and commissions collected by the various officials pursuant to law, and formerly retained by them, are to be paid into a county salary fund or funds. Appropriations made available for fee purposes by the legislature are to be apportioned among the counties for the benefit of the salary funds on the basis of population, but such annual apportionment, with one exception, cannot exceed fourteen cents per capita.

Liquor Control Act.—The Liquor Control act, which regulates in detail the sale of "liquors" containing more than 4 per cent of alcohol by weight, and beer, reserves to counties, justice precincts, incorporated towns, and cities, according to the constitutional mandate, the right of local option. It is made the duty of the commissioners' court of the

county, either upon its own motion or upon the petition of a certain percentage of the qualified voters within the enumerated district (based upon the votes for governor at the last preceding election), to order and conduct an election therein. Because of the territorial overlapping of the districts mentioned, considerable confusion has arisen as to what areas are legally "wet" and "dry." Liquor permits are granted by the state agency, but beer permits may be obtained locally. Proceedings to revoke the permit of any holder for violating any provisions of the statute, may be instituted locally by certain designated local officers. Counties and cities are given permission to levy a fee not exceeding one-half of the state fee for each permit granted to a person domiciled within its jurisdiction, but no other fee or tax is permitted, except the "general ad valorem taxes on the property" of such persons.

Old-Age Assistance.—The act providing for old age pensions gives to the old-age assistance commission full power "to provide such method of local administration in the various counties and districts of Texas as it deems advisable," with the express limitation that the personnel of the local administrative agency must have been residents of the particular county or district where employed for a period of at least four years preceding their employment. Assistance benefits will become due and payable not later than July 1, 1936. A special fund is set up in the treasury from which such payments are to be made, and if this fund is insufficient to make full payments contemplated by the law, the amount is prorated among the successful applicants. Rigid qualifications are prescribed for those who are to receive aid, with the total amount from state funds not to exceed $15 a month, and the maximum amount granted to each individual limited to $30 a month, including income of the applicant from all other sources and from state and federal grants. Furthermore, the act provides that the assistance granted "shall be granted in such amounts as will provide a reasonable subsistence in keeping with the accustomed standard of living of the applicant." This latter provision was inspired by the presence of a rather large Mexican and negro population in Texas. The extent to which this legislation will aid localities in caring for a significant group of unemployables cannot be predicted because of the uncertainty as to the number that can qualify under the law, and because of the failure of the legislature to agree upon a tax program which would put money into the pension fund. The only tax money coming into the fund at present is a portion of the proceeds derived from the recently enacted liquor tax.

J. Alton Burdine
University of Texas

TAXATION AND GOVERNMENT

Edited by Wade S. Smith

Professor to Serve as Chairman of Kentucky Tax Commission.—Dr. James W. Martin, professor of economics at the University of Kentucky, and director of the Bureau of Business Research, has been appointed chairman of the State Tax Commission by Governor A. B. Chandler. He will be granted leave from the university to serve the state.

Dr. Martin is an authority on taxation problems and was research director of the Interstate Commission on Conflicting Taxation in 1934-35. He is the editor of the status division of "Tax Systems of the World," annual publication issued by the Commerce Clearing House, and is president of the Southern Economic Association.

*

Ohio One Per Cent Law Hits Cities.—From Ohio, where cities are faced this year with reduced revenues because of the reduction of the tax limitation law from the famous 1½ per cent limit to 1 per cent, come added indications of the distressing conditions in cities and counties forced by the new measure.

Greater Cleveland, published by the Cleveland Citizens League, devoted an entire issue recently to an appeal for approval by the voters of an emergency seven-mill tax levy. Funds for ordinary governmental functions, interest requirements and payment of part (not all) of the maturities, and a balanced budget were results hoped for by passage of the levy.

The Toledo City Journal, published by the Commission of Publicity and Efficiency, looks with sad eye at a tax rate of $20.00 per

thousand, the lowest for the city in sixteen years. The deficit will be considerable, and will be shared by Toledo and Lucas County. In neither Cleveland nor Toledo will state aid from the new sales tax meet the deficiencies caused by the limitation, and the situation is paralleled elsewhere in the state.

*

Sound Advice on Borrowing.—We cannot help quoting a few sentences from the closing sections of a little bulletin issued by the Taxpayers' Association of the city of New Bedford, Massachusetts, regarding the city's bonded debt policy. Here they are:

"It is true that outside of the money borrowed for permanent improvement, we are paying off more loans than we are issuing and the total debt therefore will show little, if any, increase. We are, however, paying off long-term loans representing permanent improvements and we are acquiring a debt composed of short-term loans borrowed for operating expenses. The result will be that a larger and larger part of our debt will be composed of this borrowing for current expenses which must be continuously renewed if we are going to spend the same amount of money with the same valuation and the same tax rate.

"Not until the city of New Bedford can more nearly meet its current expenses from current revenues, i.e., by not borrowing for operating expenses, should any new expense be considered and old expenses should be closely examined with an eye to reduction."

*

From Oregon comes word of a county which collected more taxes last year than it levied. Clatsop County levied $1,254,000, and collections totaled 23 per cent more. The answer, of course, is found in accrued tax delinquencies. More was collected on delinquent levies than on the current levy, the latter being only 56.47 per cent collected during the year.

*

New Jersey's gasoline tax collections reached a new high in 1935, according to reports just announced by the state tax department. The tax, which brought in $16,473,000 in 1933 and $17,099,000 in 1934, netted some $18,557,000, after refunds to certain classes of motor vehicle owners who are exempt from the levy.

"Let's produce a rationally planned highway system," says the Kentucky Municipal League in pleading for better information on which to base the expenditure of some twelve million dollars highway revenue, averaging $36.00 per registered motor vehicle for 1935. The league believes "that a fixed portion of the gasoline tax revenue should be used for systematic improvement and upkeep of those (city) streets that are continuations of state roads."

*

Recent newspaper notes carry the announcement that the parking meters recently installed in Dallas have paid for themselves in four months. Prospective revenue for other city coffers?

*

Pay-your-taxes campaigns come to the fore again. Cook County, Illinois, comprising Chicago and its suburbs, has appropriated $20,000 for an advertising campaign to stimulate payment of taxes.

*

The Supreme Court of Pennsylvania, Eastern District, recently held that the city of Philadelphia must keep a separate sinking fund for each issue of bonds. Pooling of all sinking funds in one is held to be illegal. Protection of long outstanding loans with sinking fund accumulations nearing maturity is the object. The cumbersome procedure involved is another argument for serial bonds.

*

The cause of reduced local taxation takes off its hat this year to governmental research, just turned thirty years old. Importance of the movement is readily indicated by the fact that the bulk of the local statistics used here, or in any other general study of local taxation, are originally compiled or collated in some research bureau.

PROPORTIONAL REPRESENTATION

Edited by George H. Hallett, Jr.

The Fight Is On in Cincinnati.—Republican organization workers have secured and filed sufficient signatures to force a referendum on the repeal of P. R. in Cincinnati at the spring primaries, May 12. Ever since the first P. R. election ended the long reign of the Cox-Hynicka machine back in 1925,

the hostility of the organization to P. R. has been no secret, but because of the great popularity of the new regime the expected attempt at repeal was not forthcoming. The failure of the independent City Charter Committee to win a clear majority of the councilmen last fall and the consequent necessity of working out an agreement with an unattached independent before the new council could organize, with a certain amount of attendant popular dissatisfaction, gave the Republican regulars at last what they regarded as a favorable opportunity to attack. The City Charter Committee and other friends of true representative government are rallying to the charter's defense.

Such attacks on P. R. by political forces which have lost special privileges because of it have been the rule rather than the exception in the American experience with P. R., but most of the attacks have been repulsed. The repeal of P. R. was voted on as a separate issue twice in Cleveland, three times in Hamilton, twice in Boulder, and twice in Ashtabula. In all of these referenda except the last in Ashtabula P. R. was sustained. The repeal of both P. R and the city manager plan in a single combined question was also voted on five times in Cleveland (two proposals were defeated at the same election at which the second separate attack on P. R. was voted down), once in Boulder, once in Ashtabula, and once in Toledo. Of these attacks only the last one in Cleveland was successful.

*

Cuyahoga County Must Try Again.—As announced on page 189 of last month's issue, the 18,000 majority for P. R. and the county manager plan recorded last fall in Cuyahoga County, which includes the city of Cleveland, has been set aside by the courts. The Supreme Court of Ohio held that even such new powers granted the county in the new charter as those to enact ordinances and to use the initiative and referendum were assumptions of municipal functions, even though the charter commission had been at great pains not to take any powers away from municipalities, and therefore the charter required for passage not only the majority in the county and in the largest city (Cleveland) which it received, but also in the county outside the largest city and in a majority of the municipalities. The court's decision will make it impossible to adopt any very useful county charter in Ohio without getting the four-way majorities required for county assumption of municipal functions.

This decision puts a stop to plans for what would have been the largest P. R. election so far held in this country, the election of eight county councilmen from Cuyahoga County at large at the November election.

Mayor Harold H. Burton of Cleveland, who was chairman of the commission that submitted the county charter, has suggested that the same document be submitted again with a more determined attempt to carry the small municipalities.

The Cleveland Citizens' League has proposed that a new charter commission be voted on at the fall election and that if authorized it proceed to draft a charter which will keep the good points of the first commission's charter and add a bold reorganization of municipal functions within the county which might offset considerations of local pride in the small units with the promise of large savings to the taxpayers.

*

P. R. Activity in Australia.—The P. R. Society of Victoria has recently been revived and reorganized to work with the active societies in New South Wales and South Australia for the spread of P. R. throughout the commonwealth of Australia. At present the Hare system of P. R. is used for the legislature of Tasmania (since 1907), for the upper house of the legislature of New South Wales (indirect election), and for the municipal council of Armidale, New South Wales. The two houses of the commonwealth parliament are also elected by preferential voting, but with no provision for representation of minorities, with the result that grave distortions have been common in the representation of the three major parties. In October a public meeting was convened in the town hall at Sydney by the acting Lord Mayor to give a hearing to the demand for P. R. for the Sydney city council as presented by twenty-four civic organizations and leading citizens.

GOVERNMENTAL RESEARCH ASSOCIATION NOTES

Edited by Robert M. Paige

Department of Municipal Research & Service of the City of Louisville, Kentucky.—This unit of the city government was established to carry forward activities previously performed by the department of audit and survey, and to perform such additional duties as would assist the city administration to function with the benefit of adequate information on the various problems with which it is confronted. Research is not the sole function of the unit. Many of its activities are really matters of service. A great number of minor problems, particularly those involving more than one department, have naturally come to this unit.

Some members of the staff participated actively in the preparation of budgets for several city departments and commissions. The unit was represented at all budget hearings, and then assumed the responsibility for publishing a folder, "The Taxpayer's Dollar," which explained the major budgetary problems. This folder was enclosed with the tax bills.

The mayor's yearbook, now nearly complete, represents the first attempt to give to the citizens of Louisville an attractive report of the activities of their government. Much information about municipal affairs has been given to students of the local university and the public schools. Through a series of broadcasts sponsored by the Junior Board of Trade further publicity is being given to activities of the city departments and outside agencies. Fortunately, the city administration has a very sympathetic press.

The members of the staff give much of their time to assisting various departments and agencies in such matters as the installation of reorganization plans, preparation of reports, revision of codes, preparation of ordinances, and selection of personnel. Recently the city submitted to the Kentucky legislature a bill to make permissive the use of a merit system in the department of health and the department of welfare. Another important bill presented within the past few days proposed reorganization of city and county government. This bill will require a constitutional amendment.

Louisville is now engaged in rate controversies involving telephones, gas, and electricity. Recently there has been some agitation about street car rates and services. Water rates and the operation of the waterworks, owned by the city, are other utility matters which the research department has under consideration at the present time.

As one step in the preparation of a new license ordinance, tax rates levied on a large number of businesses were secured from about forty cities comparable in size with Louisville. The returns were tabulated and summaries were sent to coöperating cities.

In an attempt to arrive at an equitable assessment of railroad properties, a compilation was made of units and costs as recorded in the home offices and as submitted to the state tax commission. The taxable value of pullman cars and tank cars in the Louisville yards was also investigated.

One member of the staff devoted considerable time to engineering phases of traffic. The research department does not carry on the routine work incident to traffic regulations, but does serve in an advisory capacity and conducts extended studies.

Some other activities with which this unit has either assisted or taken a leading part are: Setting up a plan for messenger, duplicating, and mailing service, studying the operation of the centralized transportation system, revising the code book for the department of finance, preparing the financial report for the city, setting up a plan for positive control of public works expenditures, preparing a plan and publishing a statement covering control of work on private drains, planning punch card forms for the bureau of vital statistics and for the department of health, making studies incident to revision of the existing salary ordinance, and establishing central stores control.

There were, in addition, many short studies which furnished information for the board of aldermen, interested citizens, officials of other cities, and research bureaus.

In-service training and other forms of educational activities for municipal employees have been undertaken but have not developed far enough to form any established system. In this work the city is coöperating with the University of Louisville. The city library is

assisting in the establishment of a reference library which will make readily available not only the research materials housed in the city hall but also the resources of all other collections in Louisville and in other libraries with which connections are maintained.

*

San Francisco Bureau of Governmental Research.—In a folder prepared for use in a membership campaign recent Bureau activities are summarized in part as follows:

Since 1931 the Bureau has organized and furnished all fact-data and statistical information to various groups composing a Citizens' City Budget Committee whose work during this period has contributed materially to budget reductions.

It is difficult to appraise the effect of the new charter—a direct result of years of Bureau effort—on the cost of local government. It is estimated that the charter has effected a tax saving and budget reduction of more than $1,200,000 per year, or about 14c on the current tax rate. The executive form of budget and improved fiscal administration provided by the new charter have unquestionably resulted in other large savings, although these, being intangible, cannot be estimated. The former annual deficits—due to spending next year's revenue for this year's obligations—have been eliminated by provisions of the charter. These formerly averaged about $300,000 per year. Their elimination can be considered a saving to the taxpayers, equivalent to about 4c on the tax rate.

In November 1933, a $6,308,000 bond issue for a partial power distribution system designed to distribute the output of the proposed Red Mountain Bar Power House was placed on the ballot. The Bureau's lengthy studies, and the facts developed thereby, were used to inform the voters of the issues involved, resulting in the defeat of the bond issue.

The Bureau, on the basis of detailed study in each case, opposed various other unsound bond issue proposals. Among these were seven of the thirteen PWA proposals in 1933 and a proposed school bond issue with excessively long maturities. The defeat of the latter proposal led to a $3,000,000 bond issue for school construction in December 1933, with a ten-year maturity, which was approved by the voters.

The Bureau's detailed analysis of the May 1935 proposed charter amendment, to authorize the issuance of revenue bonds for any utility project by a bare majority vote, furnished the basis for widespread opposition to this measure by various organizations and citizens. The Bureau's report showed the wide discrepancies between *official* estimates of costs and revenues, and *actual* costs and revenues, for such projects as the Hetch Hetchy Water construction, proposed Market Street Railway purchase, and proposed Pacific Gas & Electric system purchase. It stressed the speculative character of such estimates, as a basis for revenue bond financing, with the strong probability of future default, injury to the city's credit, etc. The widespread use of the facts and figures developed by the Bureau contributed materially to the decisive defeat of this measure.

The Bureau in August 1934 prepared and submitted all necessary data to officials relative to an excess of $1,800,000 in the 1934-35 budget over and above the 5 per cent limit set up by the Riley-Stewart Act. City officials denied that such excess existed, and therefore refused to make the necessary cuts. They requested the Bureau to take the matter to court to clear the situation. The Bureau instituted a taxpayers' suit and won a favorable decision from the supreme court which ordered a reduction of about 25c in the tax rate. This was partially nullified, however, by the supervisors and the mayor appealing to the state board of equalization, which allowed part of the excess and ordered a reduction of about $750,000, resulting in a net saving to the taxpayers of 10c on the 1934-35 tax rate.

The Bureau for years has maintained a continuing study of municipal salaries as compared with salaries paid in private employment and by other cities, in an effort to standardize municipal salaries. From 1927 to 1930 the Bureau staff coöperated with the civil service commission in the job-study and classification of thousands of municipal positions, and the proposal of standard salaries therefor. During the depression several comprehensive attempts were made to bring the municipal payroll to something like parity with normal pay rates in private employment. The Bureau coöperated with city officials in preparing and securing the adoption of a charter amendment, under which two years of temporary salary deductions were maintained.

The Bureau maintains a number of activities, important in nature and results, of a "continuing" or annually recurring type. These include analyses of appropriations, municipal railway and water department financial results, and the city's bonded debt; comparisons of tax rates; tabulation of trends of municipal salaries; scrutiny of civil service activities; analysis and recommendations on current legislation proposed by supervisors; attendance at important official meetings, etc.

*

Chicago Civic Federation and Bureau of Public Efficiency.—During the past twelve months the chief activities of the Civic Federation and Bureau of Public Efficiency have included:

Constant attendance at the regular 1935 session of the Illinois general assembly. During the session a series of bulletins analyzing various pending measures which affected taxation and public finance were prepared and presented to the legislators and the public, resulting in a saving to property of over $3.50 per $1000 assessed value in Chicago, and $7.95 per $1000 in other large Illinois municipalities.

Publication of second annual statement, "Taxes—Assessments—Funded Debts," including in connection therewith a discussion of the then proposed plan of refunding bonds of the various local governments, with tables showing the principal and interest maturities throughout the life of bonds then outstanding. This report was supplemented with similar studies in detail for each of the governments of Cook County.

Criticism of plan for operation of "exposition authorities" in Chicago parks with the result that the proposals were materially improved, though not enough to merit the Bureau's endorsement.

Several advance estimates of 1934 tax rates based on shifts in underlying factors, and warnings of sharp increases to come in property tax bills for the year of 1935, and still more severe increases for the year 1936.

Aid in the passage of a comprehensive civil service law covering the employees of the sanitary district of Chicago.

Analysis of the preliminary budgets of the city of Chicago, Cook County, the Chicago board of education, and the Chicago park district, and presentation of recommendations at the public budget hearings of these bodies.

Publication of a detailed survey of the revenues and expenditures of Cook County with some comparisons going back as far as 1913.

Coöperation with the Cook County commissioners in the special session of the Illinois general assembly in having the entire administrative burden of mothers' pensions placed upon the state instead of being borne half by the county, and in having the three-cent tax rate for mothers' pensions including within the county corporate rate after 1936, as it had been prior to July 1, 1935.

The Federation and Bureau will soon issue its third annual study of "Taxes—Assessments—Debts." It is revamping its "persistence" records of funded public debt to meet the changes in the situation created by the general refunding programs now under way in the sanitary district, the Chicago park district, Cook County, and the forest preserve of Cook County, and is planning a series of studies relative to the financial condition of the various funds of the several major governing units of the Chicago area.

*

Boston Bureau of Municipal Research.—During the past twelve months important work has been done in connection with both state and local PWA programs. Two extended reports were issued emphasizing that neither the state nor the city could afford the large programs which had been urged and giving relevant material. Whatever may have been the Bureau's part in securing reductions, both the governor's $35,000,000 program and the mayor's $13,000,000 program were each cut by about two-thirds. In addition, quiet Bureau work helped kill an ill-advised project to raze Boston's elevated structure which would have involved an expenditure of $22,000,000.

Early in 1935 the Bureau submitted to the legislative committee on municipal finance an extended report relative to increases which had been requested in school and city tax limits. The committee held many meetings in a struggle to reach a decision in the light of the adequate facts made available for the first time. As a result, the legislative committee successfully urged the setting up of a special commission to study the advisability of applying the municipal finance act of Massachusetts to the city of Boston. This act of

1913 has been in successful operation in every city and town except Boston. At that time tax limits were abolished and responsibility definitely placed on local authorities. By request of the recess commission, the Bureau first presented oral views and followed them up with a major report favoring abolition of Boston's city tax limits, the fixing of an appropriation limit for the schools with increases only being permitted if the mayor approves, strengthening of the pay-as-you-go principle with relation to future debt, and better budgetary control.

Late last December the recess commission rendered its report patterned in many ways on Bureau recommendations. That report is now being considered by the committee on municipal finance which will make recommendations to the general court now in session. Recently the Bureau issued a supplementary report amplifying those of its earlier recommendations which have not yet been accepted.

Boston has particularly large welfare expenditures as compared with many other cities, primarily because of the relatively small amount of federal aid which it has received. Since late 1934 the Bureau has been urging in various ways an increase in the amount of federal aid. In addition to various public statements, the secretary participated in two conferences with important officials in Washington. As a result of this work, a leading local newspaper gives the Bureau most of the credit for obtaining an additional total of $5,000,000 of federal aid since it took the lead on this question.

Regular bulletins have been issued discussing such subjects as traffic tunnel tolls; better motor excise tax collections; economies in the fire, police, and school departments; per capita costs; and departmental consolidations.

Newspaper publicity has been excellent. Since the beginning of 1935 the Bureau has been consulted on 107 occasions by newspaper men from every local newspaper, and twenty editorials have appeared discussing Bureau recommendations. The staff has made about a dozen speeches before as many important organizations.

In the radio field, the secretary was asked to give four fifteen-minute broadcasts over the largest local station, WBZ-WBZA; one fifteen-minute broadcast over Station WAAB; and has just concluded the first three short broadcasts of a series to be given over the latter station as part of its regular daily news program.

*

Municipal League of Seattle.—During the past two years the League has worked to give its members and the public facts regarding the operation of the city manager plan in other cities. The value of proportional representation as a method of selecting municipal officers has been emphasized and last year the League conducted its own election on this plan in order to acquaint members with its operation.

Last year an exhaustive study of the Seattle municipal power and light system was completed. This study was published in pamphlet form for general distribution.

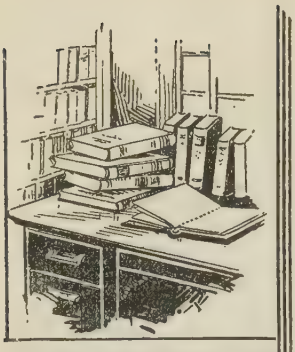
An effort has been made to improve the Seattle *Municipal News,* the publicity organ for the League, and it has been increased from a four-page to an eight-page newspaper. The fact that it has had a continued existence of twenty-five years gives it a high place among publications in the city. While it is the official organ of the Municipal League of Seattle, it also classifies as a general newspaper and is self-supporting by means of the legal advertising which it carries.

The League has continued to publish information regarding candidates for municipal offices, a service very much appreciated by the voters of the city. The nonpartisan and disinterested character of these reports makes them of decided value to the municipality.

Committees of the League are active in the consideration of practically every new phase of political government which arises in the city during the year. Among the committees more active at the present time are those on political organization, public utilities, park-o-meters, periodic inspection of automobiles, and election issues (five charter amendments are to be voted upon at the general municipal election in March).

It is the determined purpose of this organization to continue agitation in favor of a department of research until such department is established under League auspices. One of the charter members of twenty-six years ago said to us today, "The Seattle Municipal League has had a great past and it bids fair to have a great future."

ETHAN SMITH, *Secretary*



RECENT BOOKS REVIEWED

EDITED BY GENEVA SEYBOLD

City Government. By Daniel W. Hoan. New York, Harcourt, Brace and Company, 1936. 365 pp. $2.50.

Listing the best governed cities in the United States brings Milwaukee immediately to mind and linked with it, the name of Daniel W. Hoan, its Socialist mayor for twenty years. Throughout this period Milwaukee's local government has been in the news. Seemingly daring experiments, having proved successful, have become models for less pioneering communities.

Mayor Hoan states his position at the outset. He holds no brief for cheap government—as little money as possible spent for a bare minimum of services. His position is that "civilization should be judged by the amount of service that the people in a community demand and can afford to pay for it." Milwaukee's tax rate is not the lowest in the country, though far below the average of American cities, but according to the author, Milwaukee gives "more public service for the dollar than any other city in the country." Mayor Hoan believes that the field of municipal service should constantly expand in answer to the public demands and needs.

Interwoven in his account of how Milwaukee's government came to be what it is today are bits of Mayor Hoan's personal philosophy and stories of personal experience—his fight against special interests, crooked contractors, political bosses and racketeers. What the book lacks in careful organization is largely compensated for by dramatic tales such as that of the exciting days in 1932 when the city was delivered from the local money lenders.

The reader closes the book with the impression of having had a man-to-man talk with one of the most earnest, hard working, and practically idealistic administrators in public life today.

*

Recent Federal-City Relations. By Paul V. Betters. Washington, United States Conference of Mayors, 1936. 145 pp. $2.50.

Alarmists who see in the closer relationship between the federal government and local government that has developed within the last few years an approach to dictatorship are mistaken, according to the author of this book, who is director of the United States Conference of Mayors. The new lines of communication and supply running directly from Washington to the cities betoken only a new plane of coöperation between the two units of government.

This coöperation has been most apparent in the federal government's program of dealing with unemployment relief, public finance and credit, public works, and law enforcement. The emergency relief and construction act of 1932, the first statute to place municipalities in intimate contact with the federal government, came as the direct result of a plea made to the President by the mayors of several large cities which were finding it impossible to carry on the relief burden alone. Through this measure, for the first time in our history, cities were allowed to borrow federal money to carry on what had been generally held to constitute local functions.

Additional relief and public works appropirations, the municipal debt readjustment act, federal taxation legislation, the NRA, the home owners loan corporation act, the social security act, and other legislation that followed were of direct concern to cities. In no instance, however, have the municipalities

been reduced to subservience or to dependence upon the national government. Mr. Betters believes that federal-city contacts are due to increase and that every effort should be made to prevent them from crossing the line that divides coöperation from practical control.

*

Bibliography of Planning 1928-1935. By Katherine McNamara. Cambridge, Harvard University Press, 1936. 232 pp. $3.50.

Supplementing the "Manual of Planning Information" by Theodora Kimball Hubbard and Katherine McNamara published in 1928, Volume X of the Harvard City Planning Studies lists the important books, magazine articles, and technical papers on the subject of planning since that date. It uses the same system of classification as the earlier volume but has greatly expanded sections on state and national planning and housing. The many added subject headings testify to the rapid growth of interest and amazing amount of work (compared with the complete span of the history of planning) done in this field within the last few years.

*

State and Local Government in the United States. By William S. Carpenter and Paul T. Stafford. New York, F. S. Crofts & Co. 1936. 351 pp. $2.80.

It is the contention of the authors of this textbook that while the forms of local government remain in broad outline as they were cast in the eighteenth century, economic and social changes have of necessity resulted in shifts in the balance of power among the three great levels on which public affairs are conducted in this country. Power and responsibility have been transferred from the local governments to the states, and from the states to the federal government. At the same time this tendency toward centralization of authority has been accompanied by a trend toward decentralization in the movement for municipal and county home rule. It is a change of relationships among the various governmental units rather than a change in the fundamental structure of the American political system.

The key to this change is to be found in the functions which the government must perform. To cope with the complex problems that have been forced upon the units since Colonial days, according to the authors, involves sweeping changes in municipal government structure, in city-state and city-federal relationships. By a process of careful investigation and long-term planning, a gradual reorganization must be carried out on a functional basis. These changes will involve the consolidation of local units into larger administrative areas, the reallocation of functions among the state and local governments, and the establishment of a better and closer coordination between the different levels of government. The ultimate goal of such a plan would be a national governmental system in which each unit performs the functions for which it is best fitted in close cooperation with all the other units.

*

American Foundations and Their Fields, 1934. New York, Twentieth Century Fund, Inc., 1935. 60 pp. $1.00.

A comparison of foundation disbursements for the year 1934 with those of 1930 shows that in this time foundation grants were cut 50 per cent. Endowments were practically unimpaired; the assumption is that the decrease in grants was due primarily to the decline in the income of the securities held by the foundations.

The report covers the scope and activities of 123 foundations, classified in twenty-six fields. Particular emphasis is placed on an analysis of disbursements to outside agencies.

*

American Planning and Civic Annual. Edited by Harlean James. Washington, D. C., American Planning and Civic Association, 1935. 356 pp. $3.00.

In addition to a resume of progress in planning, parks, housing, and civic improvement during the year, this includes the proceedings of the Conference on City, Regional, State and National Planning, held at Cincinnati in May 1935, and also some of the addresses made at the National Conference on State Parks held at Skyland, Virginia, in June.

The discussions are grouped under three main headings—planning in the nation, in the states, and in the cities and towns. The articles on national and state parks and forests are especially interesting. Rural land problems, highways and roadsides, the rehabilitation of blighted districts in large

cities, and the federal government's direction in housing are among the other topics.

*

Proceedings of the Governor's Conference on Crime, the Criminal and Society. State of New York, Albany, 1935. 1224 pp.

In a four-day conference held in Albany last fall, police officials, judges, lawyers, penologists, probation and parole officers, educators, social workers, representatives of labor and civic organizations, and others pooled their experience and knowledge with the hope of devising more effective ways for the prevention and combatting of organized crime. While much of the testimony relates specifically to conditions in New York, those in other states will find much of interest and practical value in the proceedings of the conference.

*

The Municipal Debt Load in 1935. By Frederick L. Bird. New York, Dun & Bradstreet, Inc., Municipal Service Department. 1935. 30 pp.

In a comparison of the debt loads in the 190 cities in the United States having over 50,000 population, overlapping as well as direct debt has been taken into consideration so that the figures give the actual amounts that the taxpayers are called upon to support. No state debt has been included.

To determine the relative weight of the burdens necessitates relation of the debt to taxpaying capacity. In addition to applying the usual index, that of per capita taxable property values, Dr. Bird uses as measurement standards median value of owned homes, median values of monthly rentals, per capita savings deposits, percentage of population making income tax returns, and retail sales per capita.

One of the tables shows the wide variation from the median debt load. Nineteen cities have debts of less than $50 per capita and an equal number have a debt load exceeding $200 per capita. Asheville, North Carolina, has the highest per capita debt, $845.95; while Springfield, Illinois, in the same population group is lowest with $23.62 per capita. New England cities are relatively free from debt; New York and New Jersey cities are second highest in the country. The Florida and North Carolina land booms, the tax rate limit in Alabama and the desire to speed up modernization help to keep the southern states in the high debt class. The midwest and far west areas are almost invariably moderate in their municipal debts.

A discussion of possible lines of control of debt concludes the study.

*

Results of Municipal Lighting Plants. Kansas City, Missouri, Burns & McDonnell Engineering Co., 1935. 182 pp. $1.00.

This electric rate book provides a record of the rates in effect 1934-35, earnings, operating expenses, net profits, kilowatt-hour production, and other information pertaining to the use of electricity in 415 cities that own their own light and power plants. It is the fourth edition of the booklet and contains data on a number of cities not listed previously.

*

Collection and Disposal of Refuse in New York State Municipalities. By Arthur H. Herberger. Albany, New York State Conference of Mayors and Other Municipal Officials, 1935. 108 pp. $1.50.

Comparable figures on costs of various services provided by local government are difficult to obtain, making studies such as this the more valuable. Eighty-nine municipalities in New York State answered questionnaires regarding the methods they employ in collecting ashes, garbage and rubbish, disposal practices, costs, and quantity of refuse. The answers have been tabulated, averages taken where these are significant, and trends pointed out.

*

Organization for Public Welfare. By Edith Putnam Mangold and Edith Rockwood. Washington, D. C., The National League of Women Voters, 1936. 32 pp. 25 cents.

With the rapid increase in responsibilities for relief, old-age assistance, aid for dependent children, and other groups that has come to state and local governments within the last few years, many are faced with an urgent need for reorganization of the administration of their public welfare activities. The experience of states and local units and that of public welfare administrators who have learned by doing is submitted in this pamphlet for the guidance of those who in re-making their systems would utilize the best methods.

Columbia University

Published Monthly by the NATIONAL MUNICIPAL LEAGUE
Vol. XXV, No. 5
TOTAL NO. 239

NATIONAL MUNICIPAL REVIEW

CONTENTS FOR MAY

League's Business ..... *Howard P. Jones* 254

Editorial Comment ..... *H. P. J.* 255

Louisiana after Long ..... *Frederick W. Carr* 257

Municipalities and R. E. A. ..... *Morris L. Cooke* 262

An Institute for Managers of Publicly Owned Utilities ..... *Arthur E. Morgan* 268

County Jail Financing in Kentucky ..... *C. M. Stephenson* 271

Effective Citizenship Training ..... *O. Garfield Jones* 278

Personnel: The Executive's Responsibility ..... *William E. Mosher* 283

News of the Month .....

- Notes and Events ..... *H. M. Olmsted* 289
- County and Township Government ..... *Paul W. Wager* 295
- Taxation and Finance ..... *Wade S. Smith* 296
- Proportional Representation ..... *George H. Hallett, Jr.* 298
- Governmental Research Association Notes .. *Robert M. Paige* 300

Recent Books Reviewed ..... *Geneva Seybold* 305

The contents of the National Municipal Review are indexed in the *Engineering Index Service*, the *Index to Legal Periodicals*, the *International Index to Periodicals* and in *Public Affairs Information Service*.

COPYRIGHT, MAY 1936

THE LEAGUE'S BUSINESS

1936 League Convention to be Held in Toledo.—Toledo, where the city manager plan went into effect January first, was selected as the place of meeting for the forty-second annual conference of the National Municipal League at the meeting of the executive committee April 30.

* * *

British Publication Follows Lead of "Review" in Appraising Municipal Reports.—*The Municipal Journal and Public Works Engineer*, a British publication devoted to municipal administration, has recently announced that it will award a trophy to the city submitting the best form of municipal report. Reports entered in the contest will be graded in substantially the same manner as Dr. Clarence E. Ridley, Executive Director of the International City Managers' Association, has been appraising municipal reports in the NATIONAL MUNICIPAL REVIEW for a number of years. *The Municipal Journal*, in its issue of April 10, states that in drawing up its own rating sheet it has taken full advantage of the experience of the REVIEW in grading American cities.

* * *

Dr. Dodds' Activities.—Early this winter Dr. Harold W. Dodds, President of the League and of Princeton University, spent some days in Cuba, at the invitation of its government officials, for the purpose of formulating a solution of the island's electoral problems. The Cuban government accepted Dr. Dodds' proposal unqualifiedly, arranging for the holding of a national election under it almost immediately.

On April 13 Dr. Dodds delivered an address at the University of Virginia's Jefferson Day celebration on the subject, "Has Popular Government a Future?" On April 23 he spoke before the sales executives of the Prudential Insurance Company of America, meeting in New York, on the retention of governmental protection of individualism and the setting up of a "civil service, 1936 model."

Governor Hoffman of New Jersey has appointed Dr. Dodds as a member of the State Board of Control of the Department of Institutions and Agencies.

* * *

Mr. Seasongood Continues His Good Government Work.—The *American Scholar*, Spring 1936, carried an important and interesting article by Murray Seasongood, former president of the League, on "The Future of Local Self-Government."

Mr. Seasongood at the present moment is lending his talents to the campaign to keep proportional representation in Cincinnati, recently addressing the Hamilton County (Cincinnati) Good Government League, of which he is president, on "New Developments in the P. R. Campaign."

This spring Mr. Seasongood delivered two addresses in Providence, R. I., on the city manager plan and proportional representation.

* * *

The League Loses Two Active Members.—It is with great regret that we report the recent deaths of Arthur M. Barnhart of Chicago and Harry H. Freeman of Buffalo, both active members of the National Municipal League.

Mr. Barnhart was a member of the board of directors of the National Federation of Citizens' Councils, recently organized by the League. He was the founder and active head of the United Citizens Council of Chicago, an organization pledged to secure clean elections and good government in that city. Mr. Barnhart's sudden death ocurred in the midst of the campaign being conducted under his auspices by the council to secure an honest election for Chicago at the time of its primary last month.

Mr. Freeman was formerly city manager of Kalamazoo and Director of the Buffalo Municipal Research Bureau. More recently he has been in Washington with the Works Progress Administration. He was a member of the League's committee on county government.

HOWARD P. JONES, *Secretary*